仁智
SAGE

SAGE INTERNATIONAL GROUP LIMITED

(Incorporated in the Cayman Islands
and continued in Bermuda with limited liability)
Stock Code: 8082

ANNUAL REPORT 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Exchange, Prospective investors should be award of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the Directors of Sage International Group Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Sage International Group Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement in this report misleading.

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. Chong Cho Lam (appointed on 16 May 2018)
Mr. Dong Choi Chi, Alex
Mr. Chui Bing Sun *(Chairman)* (resigned on 19 March 2018)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wai Man
Mr. Siu Hi Lam, Alick
Mr. Ting Kit Lun

COMPANY SECRETARY

Mr. Jip Ki Chi

COMPLIANCE OFFICER

Mr. Dong Choi Chi, Alex (appointed on 19 March 2018)
Mr. Chui Bing Sun (resigned on 19 March 2018)

AUDIT COMMITTEE

Mr. Chan Wai Man *(Chairman)*
Mr. Siu Hi Lam, Alick
Mr. Ting Kit Lun

NOMINATION COMMITTEE

Mr. Ting Kit Lun *(Chairman)*
Mr. Chan Wai Man
Mr. Siu Hi Lam, Alick

REMUNERATION COMMITTEE

Mr. Siu Hi Lam, Alick *(Chairman)*
Mr. Chan Wai Man
Mr. Ting Kit Lun

RISK MANAGEMENT COMMITTEE

Mr. Ting Kit Lun *(Chairman)*
Mr. Chong Cho Lam (appointed on 16 May 2018)
Mr. Jip Ki Chi
Mr. Chui Bing Sun (resigned on 19 March 2018)

AUTHORISED REPRESENTATIVES

Mr. Dong Choi Chi, Alex (appointed on 19 March 2018)
Mr. Jip Ki Chi
Mr. Chui Bing Sun (resigned on 19 March 2018)

AUDITOR

Ernst & Young

SOLICITOR

Michael Li & Co.

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11 Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

10th Floor, Fun Tower
35 Hung To Road
Kwun Tong, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08, Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited

STOCK CODE

8082

CONTACT INFORMATION

Tel: +852 2977 8082
Fax: +852 3150 8092
Email: ir@sig.hk
Website: www.sig.hk

Executive Director's Statement

I am pleased to present the Group's annual report for the financial year ended 31 December 2018.

Sage International Group Limited (the "Company", together with its subsidiaries, the "Group") had made great progress in the media and entertainment business for the year under review. The Group's turnover achieved a remarkable value of approximately HK$155.68 million, which was 64.74% higher than last year corresponding value of approximately HK$94.5 million. The increase was mainly contributed by the media and entertainment segment which contributed around 93.12% of the total revenue of the year. The segment also recorded a segment gain of approximately HK$8.03 million (compared with last year segment gain of approximately HK$1.51 million). During the year under review, the Group had organised and invested in a total of 12 concerts (concerts in 2017: 3) including the MayDay 2018 Life Tour, the Ultimate Karen Mok Show, Rainie Yang-Youth Lies Within, A Classic Tour Jacky Cheung Macau, Leon Lai Metro Live Macau, Jay Chow Concert Tour 2018, Wanna-One World Tour, Impulse Macau, etc, which generated majority of the Group revenue. The Group recorded a loss for the year of approximately HK$10.71 million (2017: loss for the year of approximately HK$19.91 million) in which a total of approximately HK$7.79 million was recognised as share-based payment (non-cash in nature) for the grant of share options of a total of 42,000,000 share options during the year. The Company wishes to emphasise that the share-based payment expense is non-cash in nature which has no impact on the Group's cashflow. Loss attributable to owners of the Company was approximately HK$8.26 million (2017: approximately HK$19.64 million), the significant decrease in loss attributable to owners of the Company was primarily attributable to the satisfactory performance of the Group's concert projects organised during the year.

As at 31 December 2018, the Group's equity attributable to owners of the Company amounted to approximately HK$105.05 million (2017: approximately HK$87.43 million) and the net asset value per share was HK$0.090 (2017: HK$0.081). For film investment, the Group had acquired 20% of the right of Distribution Net Income (as defined in the investment agreement) of the film "Paradox" which had achieved over RMB500 million box office in the Mainland China, and the main actor in the film, Mr. Louis Koo Tin Lok, had been awarded the Best Actor in both the Asian Film Awards and Hong Kong Film Directors' Guild.

PROSPECTS

The growing momentum of the media and entertainment industry in Mainland China is robust in recent years. Mainland China's movie box office revenue rose 9.06% in 2018 to more than 60.9 billion yuan (8.9 billion U.S. dollars), according to the China Film Administration ("國家電影局"). The Group is optimistic about the industry, particularly the film, musical, drama, online TV drama/movie, live shows and related intellectual property ("IP") trading sectors/sub-sectors. The Group had organised and invested in a total of 12 concerts during the year, of which 8 concerts were held in Macau and 4 concerts in Hong Kong.

The Greater Bay Area, consists of nine contiguous cities in the Pearl River Delta region of the Guangdong Province-Guangzhou, Shenzhen, Dongguan, Foshan, Huizhou, Jiangmen, Zhaoqing, Zhongshan and Zhuhai, and the Hong Kong and Macao Special Administrative Regions. With the completion of the Hong Kong-Zhuhai-Macao Bridge, there will be significantly increased connectivity amongst these eleven cities, providing an engine of accelerated growth for the entire Greater Bay Area. The Group will expand its live entertainment businesses further in the Greater Bay Area, as the economic prosperity of the region continues to increase, the disposable income of its inhabitants likewise increases, creating a demand for experiences, travel and entertainment. We will also continue to explore strategic alliance as well as investment opportunities to enrich our portfolio, broaden our income streams and bring attractive value for our shareholders.

APPRECIATION

Lastly, I would like to thank our shareholders, customers, business associates and other relevant authorities for their support. My appreciation also goes to the management team and all the employees for their dedication, support and loyalty to the Group.

Dong Choi Chi, Alex
Executive Director

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2018, the total revenue of the Group (which mainly arising from media and entertainment and funeral services businesses) was approximately HK$155,678,000 which was 64.74% higher than the corresponding period of last year of approximately HK$94,497,000. The increase was mainly due to more concerts were organised by the Group during the year under review.

Other income and gains

Other income and gains decreased from approximately HK$5,277,000 to approximately HK$1,672,000. The decrease was mainly attributable to the gain on disposal of a subsidiary of approximately HK$2,659,000 recorded in the corresponding period of last year but nil for current year under review.

Selling, marketing and distribution expenses

Selling, marketing and distribution expenses for the year ended 31 December 2018 was approximately HK$11,718,000, being 7.53% of total revenue, as compared with the amount for the corresponding period of last year of approximately HK$7,168,000, being 7.59% of total revenue, the increase in selling, marketing and distribution expenses is in line with the increase in revenue.

General and administrative expenses

General and administrative expenses for the year ended 31 December 2018 amounted to approximately HK$31,527,000 which was 27.02% higher than the amount for the corresponding period of last year of approximately HK$24,820,000. The increase was primarily attributable to the non-cash item of share-based payment expense of approximately HK$7,793,000 in relation to share options granted to several grantees during the year while the share-based payment expense was approximately HK$579,000 in the corresponding period of last year.

Other expenses

Other expenses mainly consist of co-investors' share of net income from concerts organised by the Group.

Loss for the year

The Group's loss for the year was approximately HK$10,714,000 (2017: HK$19,909,000).

Net assets

Net assets of the Group as of 31 December 2018 amounted to approximately HK$109,169,000 as compared to approximately HK$94,291,000 as of 31 December 2017. The increase was mainly attributable to net proceeds arising from placing of 60,000,000 new ordinary shares of the Company at a placing price of HK$0.330 amounted to approximately HK$19.2 million net of expenses.

OPERATION REVIEW

OPERATION REVIEW – HONG KONG

Media and entertainment business

During the year ended 31 December 2018, the total revenue from media and entertainment business was approximately HK$144,968,000, which was 82.80% higher than that of the corresponding period of approximately HK$79,306,000. This included gain on investments in concert projects for the year of HK$2,025,000. During the year, revenues were mainly comprised of concert organisation income, musical organisation income, artiste management and performance income, and sponsorship income, as well as gain on investments in concert projects. The substantial increase in revenue was mainly due to the Group has organised more concerts during the current year as compared to the corresponding period of last year and also the revenue contributed by a musical namely《愛在星光裏》which organised by the Group and screened in Shanghai in late of 2018. During the year, the Group has organised a number of concerts namely《A CLASSIC TOUR 學友•經典世界巡迴演唱會2018 – 澳門站》,《五月天「LIFE 人生無限公司」巡迴演唱會2018 – 澳門站》,《楊丞琳<青春住了誰 Youth Lies Within>世界巡迴演唱會 – 香港場 2018》,《絕色莫文蔚世界巡迴演唱會 2018》, co-organised a concert namely《周杰倫 地表最強2 世界巡迴演唱會 – 澳門站》and invested in several concerts including《Leon Lai Concert 2018 – 澳門站》,《周杰倫 地表最強2 世界巡迴演唱會 – 香港》,《Namie Amuro Final Tour 2018 ~Finally~ in Asia》,《王力宏龍的傳人2060世界巡迴演唱會澳門站》and《Wanna One: The World》, etc.

Funeral services

During the year ended 31 December 2018, the Group's Hong Kong funeral services recorded a total revenue of approximately HK$260,000 which was 95.55% lower than that of the corresponding period of approximately HK$5,841,000 in 2017. During the year, revenues were mainly generated from sales of funeral packages, while there were (i) sales of funeral packages of approximately HK$1,890,000, (ii) provision of management services of approximately HK$2,700,000; and (iii) sales of the eternity gem products of approximately HK$1,251,000 in the corresponding period of last year. The management service agreement was expired in late 2017 and the Company did not renew the management service agreement. Also, there is no revenue generated from sales of eternity gem products for the current year since the business of eternity gem was disposed of in mid of 2017. Hence, the revenue recorded in the current year decreased substantially.

OPERATION REVIEW – MAINLAND CHINA

Funeral services and crematorium

Huaiji funeral parlour

Cremation business operation in Huaiji was performing steadily during the year ended 31 December 2018 and its total revenue for the year (including relevant government subsidies received) was approximately HK$10,450,000, which was 11.76% higher than that of the corresponding period of last year of approximately HK$9,350,000. The reason for the increase in revenue was mainly due to an increase in selling price of funeral services.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group had cash and cash equivalents of approximately HK$37,972,000 (as at 31 December 2017: HK$28,977,000) and the total assets of the Group were approximately HK$138,999,000 (as at 31 December 2017: HK$115,159,000). As at 31 December 2018, the net current assets of the Group were approximately HK$76,912,000 (as at 31 December 2017: HK$63,138,000) and the Group's current ratio, which represents current assets over its current liabilities, was approximately 4.12 times (as at 31 December 2017: 5.25 times). The gearing ratio of the Group as at 31 December 2018 (calculated as total liabilities of HK$29,830,000 over equity attributable to owners of the Company of HK$105,054,000) was 28.39% (as at 31 December 2017: 23.87%).

As at 31 December 2018, the Group borrowed a loan of RMB2.6 million at interest rate of 5% per annum from a company beneficially owned by a Director. Subsequent to the year ended 31 December 2018, the repayment date of the loan has been extended to 31 March 2019.

PLACING OF NEW SHARES

On 23 November 2018, the Company entered into a placing agreement with a placing agent, pursuant to which, the placing agent agreed to place, on a best efforts basis, the placing shares comprising in aggregate 60,000,000 new ordinary shares of the Company at a placing price of HK$0.330 per placing share on behalf of the Company to not fewer than six placees who and whose ultimate beneficial owners are independent third parties. The placing was subject to the conditions set out in the placing agreement. On 11 December 2018, 60,000,000 placing shares were allotted and issued by the Company pursuant to the placing agreement.

The net proceeds arising from the placing amounted to approximately HK$19.2 million net of expenses, which were used to develop the media and entertainment operating segment.

For further details of the share placing, please refer to the Company's announcements dated 23 November 2018 and 11 December 2018.

INVESTMENT POSITION AND PLANNING

The Group will continuously undertake researches and identify potential media and entertainment and deathcare related business investment opportunities to enhance its business portfolio.

INVESTMENT HELD AND MATERIAL ACQUISITIONS AND DISPOSALS

Same as disclosed in the consolidated financial statements, there were no other significant investments held, and no material acquisitions or disposals of subsidiaries for the Group during the year.

CURRENCY RISK EXPOSURE

The Group has certain operations in Mainland China, whose net assets might be exposed to foreign currency translation risk. The Group currently does not have a foreign currency policy to hedge its currency exposure arising from the net assets of the Group's foreign operations. Otherwise, the Group has no material exposure to foreign currency risk as the majority of the Group's assets of its operating units are denominated in their respective functional currency of either Hong Kong Dollars or Renminbi.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had 59 employees and including Directors (31 December 2017: 66). Short term employee benefits, which represented a key component of the total staff costs for the year ended 31 December 2018, including salaries, wages, bonuses and allowances, and Directors' remuneration, amounted to approximately HK$8,634,000 (year ended 31 December 2017: approximately HK$10,110,000). The Group's employee remuneration packages are mainly determined on the basis of individual performance and experience and also having industry practice, which include basic wages and performance related bonuses. The Group also provides provident fund schemes and medical insurance scheme for its employees. The Company also grants share options to the Directors and eligible employees. Details of the share options schemes are set out in note 27 to the consolidated financial statements.

CHARGES ON GROUP'S ASSETS AND CONTINGENT LIABILITIES

There were no charges on the Group's assets and the Group did not have any significant contingent liabilities for the year ended 31 December 2018.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the need and importance of corporate governance as one of the key elements in creating shareholders' value. The Company is committed to achieving a high standard of corporate governance that can properly protect and promote the interests of all shareholders and to enhance corporate value and accountability of the Company.

During the year ended 31 December 2018, the Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 15 to the Listing of Securities on the GEM of the Exchange ("GEM Listing Rules") except for the deviations from the Code provisions A.2.1 from 1 January 2018 to 19 March 2018 and A.2.7 during the period under review, details of which are set out in the sections headed "Chairman and Chief Executive Officer" and "Attendance of Individual Directors and Senior Management" respectively in this Corporate Governance Report.

DIRECTORS' SECURITIES TRANSACTIONS

Securities transactions by Directors

The Company has established written guidelines for the required standard of dealings in securities by directors of the Company on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard of Dealings"). Having made specific enquiries of all Directors, one non-compliance incident was noted during the year ended 31 December 2018, where the composite document in relation to the conditional voluntary cash offers by Sun International Securities Limited for and on behalf of Heading Champion Limited, a company which is owned as to 40% by Mr. Dong Choi Chi, Alex (an executive Director), for all the issued shares of the Company (other than those already owned by it and the parties acting in concert with it) and for the cancellation of all the outstanding options of the Company was despatched on 13 February 2018 during the Company's black-out period. The despatch of the composite document constituted a "dealing" and thus the despatch of the same during the black-out period constituted a deviation from the requirements under the Required Standard of Dealings.

The Company has paid due regard to the aforementioned non-compliance and in order to prevent the occurrence of similar incidents, the management of the Company has immediately taken steps to remind all Directors of the dealing restrictions during the black-out period as well as the requirements under the Required Standard of Dealings and the relevant FAQs published by the Exchange from time to time. In addition, the Company organised, and all Directors and the company secretary of the Company, attended a training conducted by a professional law firm, covering the requirements and procedures under the Required Standard of Dealings to reinforce the Directors' and the company secretary's knowledge and awareness of the requirements and restrictions regarding dealings of shares by directors. Save as above, the Directors confirmed that they have fully complied with the requirements under the Required Standard of Dealings and there was no other event of non-compliance during the year ended 31 December 2018.

THE BOARD

As at the date of this report, the Board comprises two executive Directors and three independent non-executive Directors. Each of the Directors has the relevant experience, competence and skills appropriate to the requirements of the business of the Company. The names of independent non-executive Directors are expressly identified and disclosed in all corporate communications of the Company. Independent non-executive Directors are invited to serve on the audit, nomination, remuneration and risk management committees of the Company. None of the members of the Board is related to one another. For the year ended 31 December 2018, the Board at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors. The composition of the Board reflects the necessary balanced skills and experience for effective leadership. The profiles of each Director are set out in the "Biographical Details of Directors and Senior Management" section in this annual report.

CHANGE IN INFORMATION OF DIRECTOR(S)

On 19 March 2018, Mr. Chui Bing Sun resigned from his office as an executive Director, the chairman of the Board, chief executive officer ("CEO") and a member of risk management committee of the Company. Mr. Chui Bing Sun also ceased to be the compliance officer and an authorised representative of the Company.

Following the resignation of Mr. Chui Bing Sun, Mr. Dong Choi Chi, Alex, an executive Director, has redesignated as a compliance officer and an authorised representative of the Company with effect from 19 March 2018.

On 16 May 2018, Mr. Chong Cho Lam has been appointed as an executive Director and a member of risk management committee.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In accordance with the code provision A.2.1 of the CG Code, the roles of the chairman and CEO should be separate and should not be performed by the same individual.

Mr. Chui Bing Sun was the chairman of the Board and the CEO of the Company until his resignation on 19 March 2018. During the period, the Board considered that such structure would not impair the balance of power and authority of the Board, which comprised experienced and high caliber individuals and met regularly to discuss issues affecting the operations of the Company. Following the resignation of Mr. Chui Bing Sun as an executive Director, the chairman of the Board, CEO, a member of the risk management committee, a compliance officer and an authorized representative of the Company on 19 March 2018, decisions of the Company are made by the executive Director, Mr. Dong Choi Chi, Alex who are focused on evaluating new potential business and investment opportunities and formulating and implementing business strategies to enhance the revenue and growth potential of the Company. Hence, a new chairman and CEO will not be appointed until suitable candidates have been identified for such purpose. Following the resignation of Mr. Chui Bing Sun, the derivation from code provision A.2.1 of the CG Code has ceased.

In order to discharge the duties, all Directors are entitled to seek independent professional advice, if necessary, at the Company's expense and Directors and Officers Liability Insurance cover was arranged and subject to annual review. The overall management of the Company's business is vested in the Board. The Board is responsible for overseeing all major matters of the Company which include formulating and approving the Company's operational strategies, management policies, internal control and risk management systems, reviewing the Company's policies and practices on corporate governance, setting the objectives and targets with a view to enhance the Shareholders' value for the management, monitoring performance of the management and providing guidance to the management. The Directors have to make decisions objectively in the interests of the Company. The Board is accountable to the Shareholders, in a responsible and effective manner leading the Company. The day-to-day management, administration and operation of the Company are delegated to the senior management of the Company which includes evaluating businesses and operational performance, ensuring effective implementation of the Board's decisions, ensuring adequate funding and monitoring performance of the management of the Company. The senior management of the Company is being closely monitored by the Board and is accountable for the performance of the Company as measured against the business targets and management directions set by the Board.

BOARD COMMITTEE

The Board delegates its power and authorities from time to time to the Board Committees in order to ensure the operational efficiency and specific issues are being handled by relevant expert. The Board currently has four Board Committees, namely, Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee with respective terms of reference which clearly defined its authorities and duties. The terms of reference of Audit Committee, Remuneration Committee and Nomination Committee are available on the website of each of the Exchange and the Company.

The chairman of the Board Committees reports regularly to the Board of their work, findings and recommendations. All Board Committees are provided with accurate and sufficient information in timely manner so as to enable the Board Committees to make informed decisions for the benefit of the Company and sufficient resources to discharge their duties and may have access to external professional advice, if necessary, at the Company's expense.

AUDIT COMMITTEE

Members	Three independent non-executive Directors, namely Mr. Chan Wai Man (committee chairman), Mr. Siu Hi Lam, Alick and Mr. Ting Kit Lun
Major responsibilities	• reviewing the accounting policies and supervising the Company's financial reporting process; • reviewing and monitoring the integrity of consolidated financial statements and the annual report, interim report and quarterly reports; • monitoring the effectiveness of financial controls, internal control and risk management systems; • considering and recommending the appointment, re-appointment and removal of external auditor of the Company; and • acting as the key representative body responsible to oversee the relationship between the Company and the external auditor, include the relationships involving the provision of non-audit services.
Major work performed during the year 2018	• reviewing and making recommendations for the Group's annual, interim and quarterly financial statements and the related results announcements; • reviewing the report of external auditor; • reviewing the effectiveness of risk management and internal control system; • reviewing external audit planning for the year ended 31 December 2018; • discussing the audit findings with external auditor and the related management responses; • making recommendations to the Board, subject to the Shareholders' approval at the 2018 annual general meeting, the appointment of external auditor of the Company; • reviewing of the development in accounting standards and its effects on the Group, and financial reporting matters; • reviewing the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training program and budget; and • reviewing the Company's compliance with CG Code and disclosure in the Corporate Governance Report.

NOMINATION COMMITTEE

Members	**Three independent non-executive Directors, namely Mr. Ting Kit Lun (committee chairman), Mr. Chan Wai Man and Mr. Siu Hi Lam, Alick**
Major responsibilities	• reviewing the structure, size, and composition of the Board; • formulating policies and making recommendations to the Board on nominations, appointment of Directors and Board succession; • assessing the independence of the independent non-executive Directors.
Major work performed during the year 2018	• conducting a review of the Board diversity, assessing the independence of the independent non-executive Directors and the contributions of the Board members and recommending the submission of the proposal on Directors' re-election at the forthcoming 2018 annual general meeting; and • formulating the nomination policy.

REMUNERATION COMMITTEE

Members	**Three independent non-executive Directors, namely Mr. Siu Hi Lam, Alick (committee chairman), Mr. Chan Wai Man and Mr. Ting Kit Lun**
Major responsibilities	• making recommendation to the Board on the Company's policies and structure for the remuneration of the Directors and senior management; • determining the remuneration packages of all executive Directors and senior management; and • ensuring the remuneration offered to the Directors and senior management of the Company is appropriate for the duties and in line with market practice.
Major work performed during the year 2018	• reviewing and approving performance-based remuneration of all executive Directors and senior management; • ensuring that no Director or any of his associates is involved in deciding his own remuneration; and • ensuring the existing terms of employment of all executive Directors and appointment letters of independent non-executive Directors of the Company are fair and reasonable.

RISK MANAGEMENT COMMITTEE

Members	Current members: An independent non-executive Director, namely Mr. Ting Kit Lun (committee chairman), an executive Director, namely Mr. Chong Cho Lam, and the Chief Financial Officer, namely Mr. Jip Ki Chi
Major responsibilities	• reviewing and assessing the effectiveness of the Group's risk management framework; and • monitoring the effectiveness of the risk management framework to identify and deal with risks faced by the Company including operational, regulatory and financial risks etc.
Major work performed during the year 2018	• reviewing and assessing the effectiveness of the Group's risk management system; • reviewing and evaluating the major investment projects; and • ensuring the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting functions.

BOARD MEETING

The Board regularly meets in person to discuss and formulate overall strategic direction and objectives and also approve annual, interim and quarterly results as well as other significant matters of the Company. Execution of daily operational matters is delegated to management.

The Company Secretary assists the Board in preparing notice and agenda for the meetings, and ensures that the Company complied with the corporate governance practices and other compliance matters. Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance. At least 14 days notice of all regular board meetings were given to all Directors, who were all given an opportunity to include matters in the agenda for regular discussion. Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each regular board meeting or committee meeting (or such other period as agreed) to keep Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions.

All Directors have access to the advice and services of the Company Secretary with a view to ensure that the Board procedures and all applicable rules and regulations are followed.

Minutes of the Board committee meetings are recorded in significant detail for any decision and recommendation made during the meetings. Draft and final versions of minutes are circulated to Directors or committee members within a reasonable time after the meetings are held and taken as the true records of the proceedings of such meetings. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

All Directors are entitled to have access to board papers and related materials unless there are legal or regulatory restrictions on disclosure due to regulatory requirements.

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by way of a Board/committee meeting and the interested shareholder or Director shall not vote nor shall he/she be counted in the quorum present at the relevant meeting. Independent non-executive Director who, and whose associates, have no material interest in the transaction, should be present at such a board meeting.

ATTENDANCE OF INDIVIDUAL DIRECTORS AND SENIOR MANAGEMENT

Details of Directors' and senior managements' attendance at the Board meetings, meetings of Board committees and general meetings held in 2018 are set out in the following table:

Name of Directors/Senior management	Attendance/Number of meetings					
	Board Meeting (Note)	Remuneration Committee Meeting	Nomination Committee Meeting	Audit Committee Meeting	Risk Management Committee Meeting	General Meeting
Executive Directors						
Mr. Chong Cho Lam (Appointed on 16 May 2018)	12/12	N/A	N/A	N/A	1/1	1/1
Mr. Chui Bing Sun (Resigned on 19 March 2018)	3/3	N/A	N/A	N/A	N/A	N/A
Mr. Dong Choi Chi, Alex	6/15	N/A	N/A	N/A	N/A	1/1
Independent non-executive Directors						
Mr. Chan Wai Man	17/17	2/2	1/1	5/5	N/A	1/1
Mr. Siu Hi Lam, Alick	17/17	2/2	1/1	5/5	N/A	1/1
Mr. Ting Kit Lun	16/17	2/2	1/1	5/5	1/1	1/1
Chief financial officer						
Mr. Jip Ki Chi	N/A	N/A	N/A	N/A	1/1	N/A

Note 1: Under CG Code provision A.2.7, the chairman should at least annually hold meetings with the non-executive directors, including independent non-executive directors, without the executive directors' present. In 2018, the Chairman did not hold meetings with the independent non-executive Directors without the executive Director present, which deviates from Code provision A.2.7 from 1 January 2018 to 19 March 2018. Following the resignation of Mr. Chui Bing Sun, the derivation from code provision A.2.7 of the CG Code has ceased.

AUDITOR'S REMUNERATION

During the year ended 31 December 2018, remuneration in respect of audit and non-audit services provided by the existing auditor of the Company to the Group are approximately HK$2,380,000 (2017: HK$1,900,000) and HK$20,000 (2017: HK$40,000) respectively.

REMUNERATION OF SENIOR MANAGEMENT

The remuneration of the member of the senior management by band for the year ended 31 December 2018 is set out below:

	Number of member of senior management
HK$1,000,000 or above	1
HK$500,000 – HK$999,999	–
	1

Further particulars regarding the five highest paid employees and Directors' remuneration are set out in notes 9 and 8 to the financial statements, respectively.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Chairman of the Board is responsible for identifying appropriate candidate and proposing qualified candidate to the Board for consideration. The Board will review profiles of the candidates recommended by the Chairman and make recommendations on the appointment, re-election and retirement of Directors.

Candidates are appointed to the Board on the basis of their skill, competence and experience that they can contribute to the Company. The Company believes that members of the Board, individually and collectively, have satisfactorily discharged their duties.

Newly appointed Director will be briefed and updated to ensure that he has a proper understanding of the operations and business of the Company and that he is fully aware of his responsibilities under the GEM Listing Rules, Companies Ordinance, Securities and Futures Ordinance, and other regulatory requirements.

The independent non-executive Directors are appointed for an initial term of one year from the date of appointment and is renewable each year. They are subject to retirement by rotation and re-election by shareholders at the Annual General Meeting ("AGM") after their appointment and thereafter at least once every three years in accordance with the Bye-laws of the Company.

In accordance with the Bye-laws of the Company, one-third of the Directors who have been longest in office since their last election or re-election are also subject to retirement by rotation at the AGM. All retiring Directors are eligible for re-election.

All Board committees are established with defined written terms of reference which are available to shareholders on website of the GEM of the Exchange and the Company.

BOARD DIVERSITY

The Company has formulated the board diversity policy aiming at setting out the approach on diversity of the Board of the Company. The Company believes that a diversity of perspectives can be achieved through consideration of a number of aspects, including but not limited to skills, regional and industry experience, background, race, gender and other qualities. Board appointments will be made on merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board. There is no financial, business, family or other material/relevant relationships between Board members.

The Nomination Committee is responsible for monitoring and reviewing the implementation of the Board Diversity Policy to ensure its effectiveness and recommending any revisions of the policy to the Board for consideration and approval.

NOMINATION POLICY

The Board has adopted the Nomination Policy aims to set out the nomination procedures and processes and criteria in evaluating and selecting candidates for Board Directorship:

CRITERIA

The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

- Reputation of integrity;
- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategies;
- Commitment in respect of available time and relevant interest; and
- Requirement for the Board to have independent directors in accordance with GEM Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the GEM Listing Rules.

NOMINATION PROCESS

(a) Appointment of New Director

(i) The Nomination Committee should, upon receipt of the proposal on appointment of a new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether the proposed candidate is qualified for directorship.

(ii) If the process yields one or more desirable candidates, the Nomination Committee should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

(iii) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship.

(iv) For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

v) Where appropriate, the Nomination Committee should make recommendation to shareholders in respect of the proposed election of director at the general meeting.

(b) Re-election of Director at General Meeting

(i) The Nomination Committee should review the overall contribution and service to the Company of the retiring director and the level of participation and performance on the Board.

(ii) The Nomination Committee should also review and determine whether the retiring director continues to meet the criteria as set out above.

(iii) The Nomination Committee and/or the Board should then make recommendations to the shareholders in respect of the proposed re-election of director at the general meeting.

(iv) Where the Board proposes a resolution to elect or re-elect a candidate as director at the general meeting, the relevant information of the candidate will be disclosed in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the GEM Listing Rules and/or applicable laws and regulations.

REGULAR REVIEW

The Nomination Committee will conduct regular review on this Policy, the structure, size, expertise and diversity of the Board. When it is appropriate, the Nomination Committee will make recommendations on changes to the Board to complement the Company's corporate strategies and business needs.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING AND DISCLOSURES

The Directors acknowledge their responsibility for preparing the financial statements of the Company and of the Group.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual, interim and quarterly reports, price-sensitive announcements and other disclosures required under the GEM Listing Rules and other statutory and regulatory requirements. The Directors are responsible for the preparation of the consolidated financial statements of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give a true and fair view of the state of affairs, the results of operations and cash flows of the Group. In preparing the annual, interim and quarterly results of the Company for the year ended 31 December 2018 the Directors have adopted suitable accounting policies and applied them consistently.

The responsibility of the auditor with respect to these consolidated financial statements is set out in the Independent Auditor's Report on pages 51 to 55 of this Annual Report.

The Company is committed to ensuring compliance with regulatory requirements under the GEM Listing Rules, applicable laws and regulations in handling connected transactions. Accordingly, the Company implemented various internal control mechanisms to capture and monitor connected transactions to ensure that connected transactions are conducted under normal commercial terms or on terms that are fair and reasonable and properly disclosed and (if necessary) approved by the independent shareholders in accordance with the GEM Listing Rules. The connected persons will be required to abstain from voting in the general meetings. Details of the connected transactions of the Company during the year are set out in the "Directors' Report" of this annual report.

COMPANY SECRETARY

The Company Secretary supports the Chairman, Board and Board Committees by ensuring good information flow and that Board policy and procedures are followed. He advises the Board on governance matters and facilitates the induction and professional development of Directors. The Company Secretary is an employee of the Company and is appointed by the Board. Although the Company Secretary reports to the Chairman, all Directors may call upon for advice and assistance at any time in respect to their duties and the effective operation of the Board and the Board Committees. The Company Secretary also plays an essential role in the relationship of the Company and its shareholders, including assisting the Board in discharging its obligations to shareholders pursuant to the GEM Listing Rules.

The Company does not engage an external service provider as its Company Secretary. Mr. Jip Ki Chi, being the secretary of the Company, has taken not less than 15 hours of relevant professional training during the year ended 31 December 2018.

DIRECTORS' TRAINING

Upon appointment to the Board, the Directors receive a package of orientation materials about the Group and are provided with a comprehensive induction to the Group's businesses by senior executives. Continuing education and information are provided to the Directors regularly to help ensure that the Directors are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its businesses.

The Directors confirmed that they have complied with the Code Provision A.6.5 of the CG Code on Directors' training. During the year, each Director had participated in continuous professional development by attending seminars/workshop or by reading materials on the followings topics to update and develop their knowledge and skills and provided a record of training to the Company:

Name of Directors	Topics on training covered (Notes)
Mr. Chan Wai Man	CG, R, I, F
Mr. Chong Cho Lam (appointed on 16 May 2018)	CG, R, I, F
Mr. Chui Bing Sun (resigned on 19 March 2018)	CG
Mr. Dong Choi Chi, Alex	CG, R, I, F
Mr. Siu Hi Lam, Alick	CG, R, I, F
Mr. Ting Kit Lun	CG, R, I, F

Notes:

CG: Corporate Governance
F: Finance
I: Industry-specific
R: Regulatory

RISK MANAGEMENT AND INTERNAL CONTROL

Responsibility

The Group believes that risk management is not a sole responsibility of the Board, but everyone within the Group. It aims to develop risk awareness and control responsibility as our culture and the foundation of our internal controls system. The internal controls system applies to the Group's critical business processes including investment decisions and day-to-day operations.

At the same time, the Board had overall responsibility for the Group's risk management and internal control systems, which includes the establishment of a defined management structure with specified limits of authority. The system is designed to help the achievement of business objectives of the Group, effectiveness and efficiency of the operation; reliability of financial reporting; and compliance with applicable laws and regulations. The risk management and internal control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss rather than eliminate risks of failure in operational systems and achievements of the Group's objectives.

Framework and Approach

The Board, through audit committee and risk management committee had conducted a review of the effectiveness of the Group's risk management and internal control systems. The Group had set up three lines of defence in risk management and internal control. At the first line of defence, business units are responsible for identifying, assessing and monitoring risk associated with each business or transaction. The management, as the second line of defence, defines rule sets and models, provide technical support and oversees portfolio management. As the final line of defence, the Group internal audit assists the Audit Committee and Risk Management Committee to review the first and second lines of defence.

Risk Management Process

The Group seeks to have risk management features embedded in the day-to-day operations. Through an integrated top-down and bottom-up risk review process, the key risks faced by the Group have been identified and prioritised. For the identified risks, the Group determines the action plans and management targets. The management of each business unit of the Group is responsible for managing their respective day-to-day operating risks, and implementing measures to mitigate such risks.

Group internal audit monitors the implementation of risk management, and continuously reviews and assesses the efficiency and adequacy of action plans in regular basis. Such assessment results will be regularly communicated and reported to Audit Committee, Risk Management Committee and the Board.

Major risk factors and measures

(I) Deathcare services and related business

Compliance risk

Today, the Group's cremation services operate in PRC and Hong Kong face with more air quality regulations than ever before, and the number of regulations that are passed increase with complexity each year. Regulatory compliance risk management or control is critical and therefore be a key attention area of the Group.

Risk responses

- training staff on the basics of environmental regulations and keeping eyes out for new regulations or changes to existing ones;
- monitoring equipment to be used shall meet the specifications specified by the Authority. It shall be maintained and calibrated according to the manufacturer's recommendations;
- operating staff shall be properly trained in their duties relating to control of the process and emissions to air. Particular emphasis on training for start-up, shut down and abnormal conditions;
- assuming of malfunctioning and breakdown of the process or air pollution control equipment which would cause exceed of the emission limits or breaches of other air pollution control requirements, the incident shall be reported to the Authority immediately without delay;
- carrying out hazard and safety inspections on each operating unit regularly and gathering records in preparation for environmental compliance reports.

(II) Media and entertainment business

Industry risk

Media and entertainment industry are fragmented and highly competitive. The Group's film, concert and other project investment involves many uncertainties which include projects selection, schedule of release, rates of return etc. Today, audience are rising on demand for the high-quality and innovative content of film and other forms of entertainment as ever. Hence, there is no assurance that the Group can sustain its competitiveness successfully in the business.

Risk responses

- Controlling the exposure to investment risks by reducing the percentage and absolute value of investment in individual project;
- Keeping an open mind to look for any other potential investment activities which can bring the Group a new income stream;
- Reviewing and updating the business strategies plan regularly to cope with the competition in the industry.

Strategic risk

The return on the Group's film and concert investment, production and promotion cannot be predicted with certainty. It depends primarily on the audience acceptance and popularity of the films and artiste. There is no assurance of the economic success on those investments. If the Group does not accurately judge audience acceptance of a film or concert in selecting the project it invests in, the Group may not recoup its costs or realise its anticipated profits.

Risk responses

- Diversifying risk through co-produce, co-invest or co-partner with its business associates;
- Keeping eyes on the changes in market trend, mainstream social values, need and preference of the audience; and
- Keeping cautions in selection of content of films and scripts.

Regulatory risk

Today, a number of strict rules and regulations apply to film and other media industries. If the planned film or concert fails to obtain certain licenses, the Group will be susceptible to the loss of investment; and if the Group fails to comply with the relevant rules and regulations, the Group will be confronted with the risk of penalties, suspension of business activity, which would have adverse effect on the Group's financial, operations and reputation. Therefore, regulatory risk management is also key attention area of the Group.

Risk responses

- Conducting internal assessment by management for regulatory matters involved which the Group ensures compliance with regulatory requirement in business matters;

- Keeping eyes out for the up-to-date on applicable rules, regulations and regulatory requirements issued by the government and regulator, notices from the authorities; and

- Considering the familiarity of the applicable rules and regulation of the country in which the project will be selected. Ensuring the selected project comply with its local regulatory requirement and satisfy with its mainstream social values.

Internal control effectiveness

Internal Auditing

Group Internal Audit reports to the Audit Committee at least four times a year, on the results of their activities during the preceding period pertaining to the adequacy and effectiveness of internal controls, including but not limited to, any indications of failings or material weaknesses in those controls. Group Internal Audit adopts a risk-and-control-based audit approach. During the year, Group Internal Audit had performed reviews on major aspects of the Company's operations in PRC and Hong Kong. This review covered all material controls, including financial, operational, compliance controls and risk management functions, and also considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting functions, and their programs. The results of these audit activities are communicated to the Audit Committee. Audit issues are tracked, followed up for proper implementation, and their progress are reported to the Audit Committee periodically.

In addition to the review of risk management and internal controls undertaken by Group's Audit Committee, Risk Management Committee and Group's Internal Audit, the external auditor also assessed the adequacy and effectiveness of certain key risk management and internal controls as part of their statutory audits. Where appropriate, the external auditor's recommendations are adopted and enhancements to the risk management and internal controls will be made.

The Audit Committee was satisfied with the results of the self-evaluation of the Group and considered that the internal control systems of the Group were effective and adequate and its opinion was endorsed by the Board. During the year, no significant areas of concern which might affect the Shareholders were identified.

INSIDE INFORMATION

The Company recognises that the release of inside information to place anyone in a privileged dealing position is strictly prohibited and has adopted an Inside Information Policy to ensure compliance of the GEM Listing Rules. Prior to the announcement of any inside information, all Directors and senior management are requested to take all reasonable steps to maintain strict confidentiality and where it is reasonably likely that confidentiality may have been lost in respect of the inside information, the Company shall as soon as reasonably practicable, apply to the Exchange for a trading suspension of its shares.

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders. Information of the Company is disseminated to the shareholders in a manner of (i) delivery of the quarterly, interim and annual reports to all shareholders; (ii) publication of announcement on the quarterly, interim and annual results on the website of the GEM of Stock Exchange and the Company, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the GEM Listing Rules; and (iii) the general meeting of the Company is also an effective communication channel between the Board and the shareholders.

CONSTITUTIONAL DOCUMENTS

During the year under review, there is no change in the Company's constitutional documents.

COMMUNICATION WITH SHAREHOLDERS

Communication with shareholders is given high priority. The Company aims to provide its shareholders with high standards of disclosure and financial transparency through the publication of annual, interim and quarterly reports, press announcements and circulars made through the website of the GEM of the Exchange and the Company.

The Board also maintains an on-going dialogue with shareholders and use general meeting to communicate with shareholders. The Company encourages all shareholders to attend general meeting which provides a useful forum for shareholders to exchange views with the Board. The Chairman of the Board and members of relevant committees and senior management of the Company are also available to answer the shareholders' questions. The notice of AGM was sent to shareholders at least 20 clear business days before the AGM. For general meeting other than AGM, notice was sent to shareholders at least 10 clear business days before the general meeting.

DIVIDEND POLICY

The declaration of any dividend is subject to the discretion of the Board, and if necessary, the approval of our shareholders, subject to the applicable of Bye-Laws of the Company. A decision to pay any dividend, and the amount of such dividend, depends on a number of factors, including but not limited to the results of operations, revenue, financial position of the company, company liquidity and investment opportunities, and other economic factors that may affect the company.

There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid in the future. The Board will review the dividend policy from time to time, and may update the policy as they see fit.

SHAREHOLDERS' RIGHTS

How shareholders can convene an extraordinary general meeting and putting forward proposals at Shareholders' meetings

Pursuant to the Bye-Laws of the Company, any one or more shareholder holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company by mail at 10th Floor, Fun Tower, 35 Hung To Road, Kwun Tong, Kowloon, Hong Kong to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitions(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitions(s) as a result of the failure of the Board shall be reimbursed to the requisitions(s) by the Company.

Procedures by which enquiries may be put to the Board

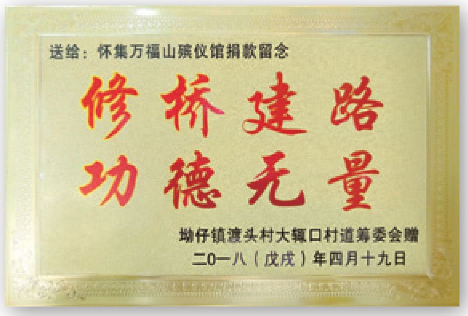
Shareholders may send their enquiries and concerns to the Board by addressing them to the secretary of the Company by mail at 10th Floor, Fun Tower, 35 Hung To Road, Kwun Tong, Kowloon, Hong Kong or by email at enquiry@sig.hk. The Company Secretary forwards communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions, inquiries and customer complaints, to the chief executive officer of the Company.

Environmental, Social and Governance Report

I. REPORT OVERVIEW

To stand fast our core value, Benevolence, the Group has paid great attention to environmental protection and the fulfilment of our social responsibilities. During the year, Group has made tremendous progress in its business expansion and economic development. With a strong ambition and commitment to forge an eco-friendly, resilient and reliable enterprise that pioneers in sustainable development compared to its peers in the industry, the Group never stops its footstep in exploring new ways to change its business model and operating practice in order to make contributions to addressing the pressing global climate change-related challenge.

The Group is pleased to present Environmental, Social and Governance ("ESG") Report for financial year 2018 ("FY2018") to demonstrate the Group's approach and performance in terms of ESG management and corporate sustainable development for the financial year from 1 January 2018 to 31 December 2018. This ESG report is prepared in full compliance with the ESG Reporting Guide as set out in Appendix 20 of the GEM Listing Rules on The Stock Exchange of Hong Kong Limited. To deliver a formalised and internationally compatible ESG report, the Group referenced recommendations of the Task Force on Climate-related Financial Disclosures to improve the integrity, international compatibility and industrial comparability of the report.

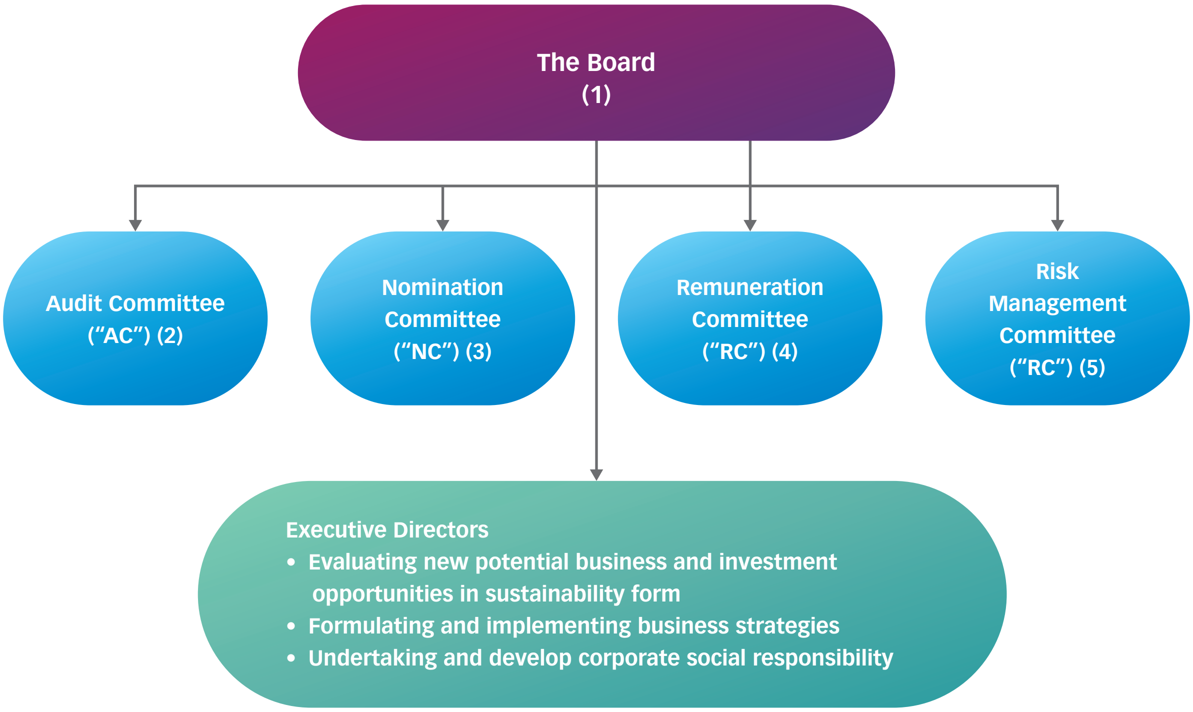


II. BOARD INCLUSIVENESS

The Group has developed its internal strategies and policies with aims to create sustainable values to its stakeholders, thereby to large extent minimising the Group's undue impact on the environment. In order to carry out the Group's sustainability strategy from top to bottom, the Board of Directors ("Board") of the Group has ultimate responsibilities for ensuring the effectiveness of the Group's ESG policies.

The Group has established dedicated teams to manage ESG issues within each business division of the Group and kept monitoring and overseeing the progress against corporate goals and targets for addressing climate change. Dedicated teams with designated staff for management of ESG issues has been assigned to enforce and supervise the implementation of the relevant ESG policies cascading through the Group. The structure of the ESG management team is presented below.

Sage International Group Limited



(1) Maintaining high standard of corporate governance

(2) Monitoring the effectiveness of financial controls, internal control and risk management systems

(3) Identifying and nominating suitable candidates for the Board's consideration

(4) Making recommendation in line with the Company's policies and structure for the remuneration of the Directors and senior management

(5) Monitoring the effectiveness of the risk management framework to identify and deal with risks faced by the Company including operational, regulatory and financial risks etc.

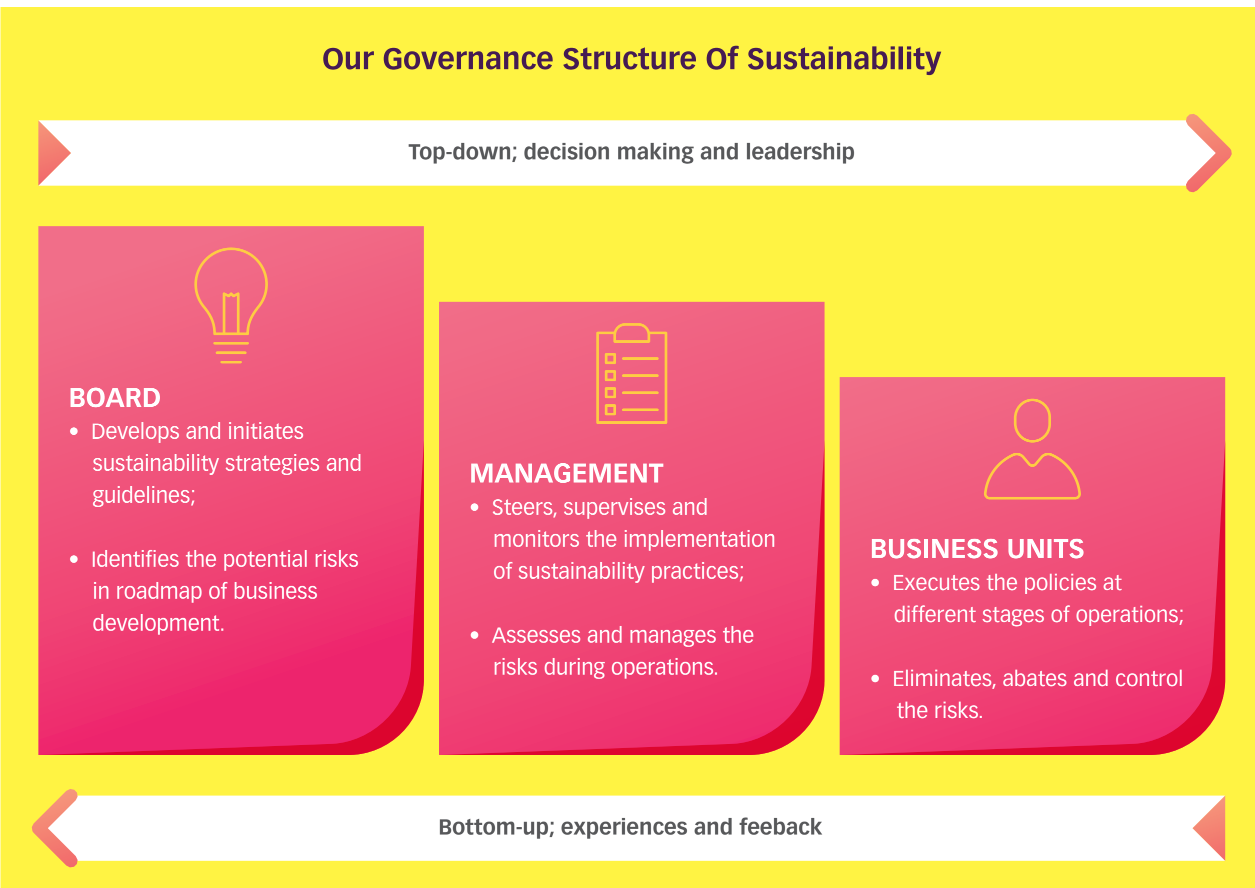
Apart from establishing ESG management team, the Board also emphasis on the education on the importance of sustainably development and social responsibility of the Group. The executive Directors take part in community service and share their vision within the Group companies.

Through continuous trainings on the changes in the commercial, legal and regulatory environment, the Board identified ESG related risks in the operation. In order to deal with the risks in the market, risk management committee is established, who is responsible for identifying risks and opportunities on the potential investment. The risks identified by the Group include the scarcity of land resources, problems of underprivileged especial children and national laws in the operating region.

Funeral service occupies significant land resources due to the traditional funeral customs and the scarcity of land resources has great impact on the Group's business operation. To avoid this risk, the Group plans to propose green burial in line with the strategies facilitate by PRC government, such as tree burial, flower burial and other environmentally friendly burials. However, local funeral custom is an obstacle in promoting those burials and changing people's mind is a long race. The Group continuously support with relevant social organisation by donating as well as performing the community service in local primary schools to enhance the Group's reputation among local residents and hopefully change their mind on the new burial.

Apart from funeral service, the main risk from entertainment and media business is the strict rules and regulations (inclusive of tax rules) apply to film and other media industries. The Group carefully assess the risk of potential investment and develop potential sustainable investment.

With the forward-looking guidance and well-designed plans of action to address underlying ESG matters, the management and responsible teams keep reviewing and adjusting the Group's sustainability policies to satisfy the ever-changing needs of its stakeholders on a regular basis. For instance, through the assignment of the responsibility of progress tracking to different management-level positions, the Group is committed to achieving an excellent performance in ESG management while also remaining competitive compared with its peers. Details of the Group's management approaches in both the environmental and social aspects are elaborated in different sections of this ESG report.



III. REPORTING PERIOD AND SCOPE OF THE REPORT

This ESG report covers the operational boundaries of the Group's offices in Hong Kong and Beijing and the funeral service business in Guangdong Province. For corporate governance section, please refer to the Group's 2018 Annual Report on pages 6 to 17 therein. The reporting period of this ESG report is for FY2018. This report is prepared in both English and Chinese, and has been uploaded to the Group's website at http://www.sig.hk. If there is any conflict or inconsistency, the English version shall prevail.

IV. STAKEHOLDER ENGAGEMENT

An effective communication with both internal and external stakeholders is regarded essential to the Group in many areas. Not only deliver the Group's commitment to long-term value creation to stakeholders who care about the level of sustainable development of the Group, but also helps the Group gains a better understanding of those topics material and relevant to different groups of stakeholders.

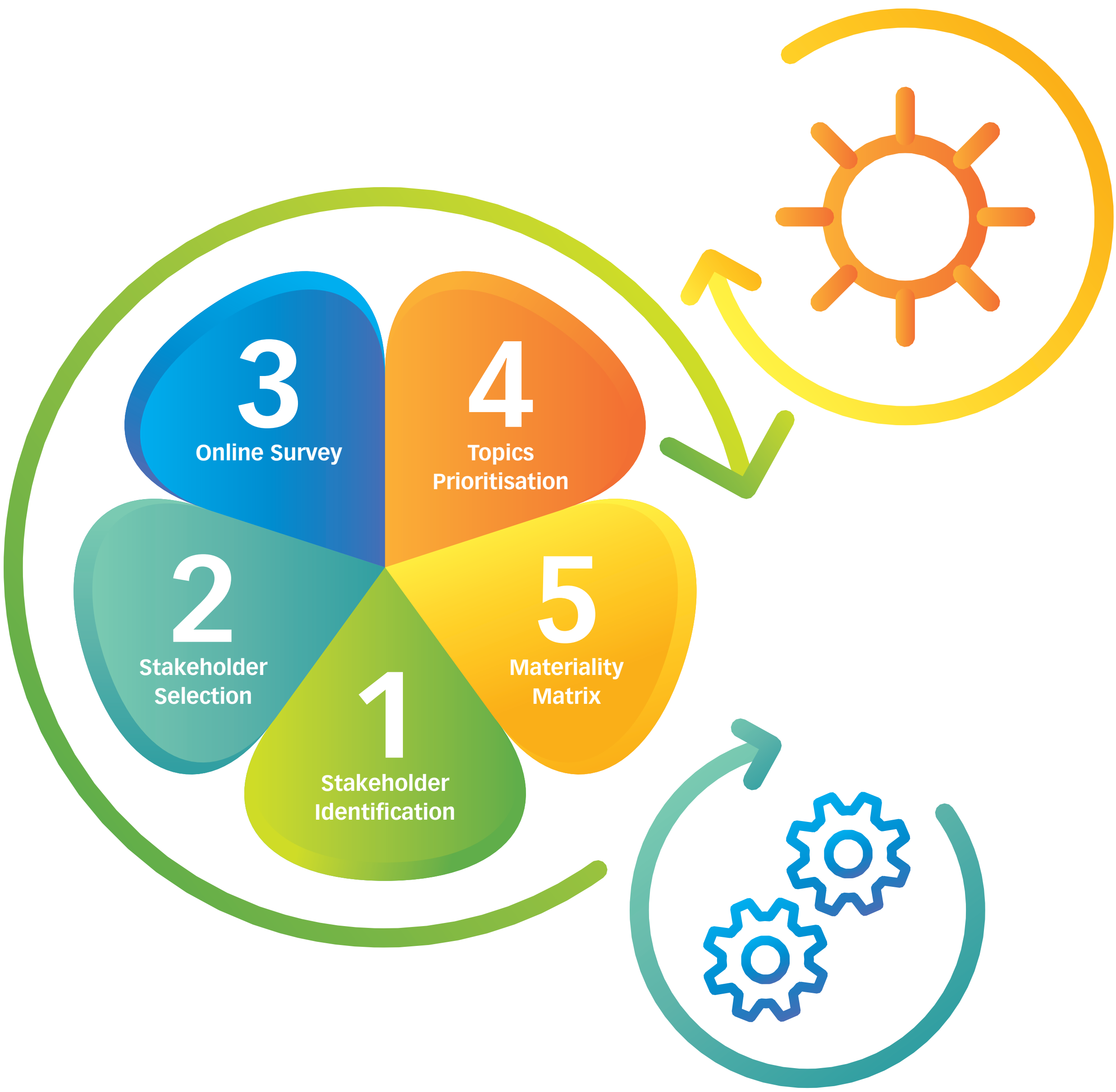
With the goal to strengthen corporate sustainability approach and performance while enhancing stakeholders' awareness of ESG and sustainability issues, the Group has put tremendous efforts into its internal and external stakeholder inclusiveness. The Group highly values the feedback from its stakeholders and takes initiative to build a trustful and supporting relationship with them through their preferred communication channels, which are listed in the table below.

Table 1: Stakeholders Expectations and Communication Channels

Stakeholders	Expectations and concerns	Communication channels
Government and regulatory authorities	– Compliance with laws and regulations – Business sustainability – Proper tax payment	– Supervision on complying with local laws and regulations – Routine reports and tax paid
Shareholders	– Return on investments – Corporate governance – Business compliance	– Regular reports and announcements – Regular general meetings – Official company website
Employees	– Employees' compensation and benefits – Career development – Healthy and safe working environment	– Performance reviews – Regular meetings and trainings – Emails, notice boards, hotline, caring activities with management
Customers	– High quality products and services – Protect customers' rights	– Face-to-face meetings and on-site visits – Customer service hotline and email
Suppliers	– Fair and open procurement – Win-win cooperation	– Suppliers' satisfactory assessment – Face-to-face meetings and on-site visits
General public	– Involvement in communities – Business compliance – Environmental protection awareness	– Media conferences and responses to enquiries – Public welfare activities – Regular reports and announcements – Face-to-face interview

Materiality Assessment

Since ESG risks and opportunities for companies vary across industries and depend on specific business patterns of companies, the Group undertakes annual review in identifying and understanding its stakeholders' main concerns and material interests for the ESG report. In FY2018, the Group engaged its stakeholders to conduct a materiality assessment survey initiated by a third-party agency in order to guarantee the accuracy and objectivity of evaluation. Specifically, internal and external stakeholders including customers, suppliers, business partners, board members and employees from various business units of the Group were chosen and assessed based on their respective influence and dependence on the Group. Stakeholders were invited to express their concerns on a list of sustainability issues via an online survey to pinpoint the ESG issues that were identified as material to the Group's business development and strategies. Through a science-based materiality assessment to prioritise the topics from the entire inventory of ESG issuers, the Group eventually formulated a materiality assessment matrix below, which could genuinely reflect the real concern of its stakeholders on ESG matters and facilitate the Group to develop actions plans for effective ESG management.



<table>
<tr><td colspan="2"></td><td colspan="2">Materiality Matrix</td></tr>
<tr><td rowspan="2">IMPORTANCE TO THE STAKEHOLDERS</td><td rowspan="2">Crucial

Not relevant</td><td>Areas identified as relevant for disclosure:
• Air and greenhouse gas emissions
• Sewage treatment
• Land use, pollution and restoration
• Solid waste treatment
• Use of other raw/packaging materials
• Selection of suppliers and assessment of their products/services
• Environmental protection assessment of the suppliers
• Procurement practices
• Product quality assurance and recall percentage
• Labelling relating to products/services</td><td>Areas identified as critical for disclosure:
• Energy use
• Water use
• Mitigation measures to protect natural resources
• Social risks assessment of the suppliers
• Customers satisfaction
• Observing and protecting intellectual property rights
• Protection of consumer information and privacy</td></tr>
<tr><td>Areas identified as not relevant for disclosure:
• Suppliers by geographical region</td><td>Areas identified as relevant for disclosure:
• Composition of employees
• Employee remuneration and benefits
• Occupational health and safety
• Employee development and training
• Preventing child and forced labour
• Health and safety relating to products/services
• Marketing and promotion
• Preventing bribery, extortion, fraud and money laundering
• Anti-corruption policies and whistle-blowing procedure
• Understanding local communities' needs
• Public welfare and charity</td></tr>
<tr><td colspan="2" rowspan="2"></td><td>Not relevant</td><td>Crucial</td></tr>
<tr><td colspan="2">IMPORTANCE TO THE GROUP</td></tr>
</table>

According to the outcome of the materiality analysis matrix, the Group identified seven ESG issues that are of great significance to both the Group and its stakeholders from the inventory of 29 sustainability topics, namely "Energy use", "Water use", "Mitigation measures to protect natural resources", "Social risks assessment of the suppliers", "Customers satisfaction", "Observing and protecting intellectual property rights" and "Protection of consumer information and privacy". Besides these, the Group also engages stakeholders with the Sustainability Development Goals ("SDGs") to determine the future goals for Group ESG policy. The Group has identified "Target 3: Good Health and Well-Being for People" and "Target 8: Decent Work and Economic Growth" as the most concerned goals for the sustainability development. This review and assessment helped the Group to objectively prioritise its sustainability issues, precisely identify the material and relevant aspects, and make for the purposeful documentation and disclosure of its ESG performance so as to align them with stakeholders' expectations.

Stakeholders Feedback

As the Group strives for excellence, we welcomes stakeholders' feedback, especially on topics listed as the highest importance in the materiality assessment and its ESG approach and performance. Readers are also welcome to share their views with the Group at ir@sig.hk.

V. ENVIRONMENTAL SUSTAINABILITY

The Group is committed to the long-term sustainability of the environment and community in which it operates, stringently controls its emissions and consumption of resources, and complies with all relevant environmental laws and regulations in Hong Kong and the People's Republic of China ("PRC") in the daily operation. As a deathcare service provider while engaged in media entertainment industry, the Group's impacts on the environment mainly comes from the office and the crematory. The Group strives to minimise the potential environmental impact during its daily operations in various aspects.

This section primarily discloses the Group's policies, practices, and quantitative data on emissions, use of resources, the environment and natural resources in FY2018.

A.1. Emissions

As a funeral service provider, the main emission from the Group is the air emission form cremation, municipal wastewater and solid wastes. The Group complied with all relevant environmental laws in the operating regions, including but not limited to the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), and found no disregard of any influential laws relevant to waste gas or greenhouse gas emissions, water or land discharging and hazardous or non-hazardous wastes.

In FY2018, given the nature of the Group's business, the greenhouse gas ("GHG") emissions from the Group for Scope 1 (Direct Emissions), Scope 2 (Energy Indirect Emission), and Scope 3 (Other Indirect Emissions) were 369.1 tonnes carbon dioxide equivalent ("CO_2e"), 75.1 tonnes CO_2e, and 2.3 tonnes CO_2e respectively. The Group's total GHG emissions amounted to 446.5 tonnes CO_2e, and the GHG intensity for the Group was 7.1 tonnes CO_2e/employee. Other than GHG emissions, the Group also generated 2,558.3 kg of non-hazardous solid wastes (with an intensity of 40.9 kg/employee), while the Group had no record of the amount of non-hazardous wastewater during the year under review. The Group's total emissions are summarised in Table 2.

Table 2: The Group's Total Emissions by Category in FY2018

Emissions		Unit	Amount	Intensity* (Unit/ employee)
Air emissions	SO_2	kg	86.0	1.4
	NO_x	kg	510.0	8.2
	PM	kg	105.0	1.7
GHG emissions	Scope 1 (Direct Emission)	tonnes CO_2e	369.1	5.9
	Scope 2 (Energy Indirect Emission)	tonnes CO_2e	75.1	1.2
	**Scope 3 (Other Indirect Emission)	tonnes CO_2e	2.3	–
	Total (Scope 1, 2 & 3)	tonnes CO_2e	446.5	7.1
Non-hazardous waste	Solid Waste	kg	2,558.3	40.9

* Intensity was calculated by dividing the amount by the Group's FY2018 average number of employees

** The Group's Scope 3 (Other Indirect Emissions) includes only paper waste disposed at landfills

Air and GHG Emissions

Air emissions are mainly generated by the incineration in the funeral operation site and the use of vehicles. The Group uses diesel as the fuel for incineration in the crematory. Therefore, the exhausted gases generated from the combustion process are mainly sulfur oxides ("SO_x"), nitrogen oxides ("NO_x") and particle material ("PM"). All air emissions form the cremator are complied with the emission standard (GB 13801-2015) and the Emission Standard of Air Pollutants for Crematory（《火葬場大氣污染物排放標準》）.

The GHG emissions of the Group consist of direct emission (Scope 1) from incineration for crematory, the use of vehicles, indirect emission (Scope 2) from the consumption of electricity, and other indirect emission (Scope 3) form the waste paper processing. The direct emission and indirect emission are the main source of GHGs emissions while other indirect emission is insignificant.

There is no denying that the accelerating emission of greenhouse gases is inherently linked with the climate-related catastrophic consequences that are happening across the world according to IPCC's latest report (Intergovernmental Panel on Climate Change).

To mitigate the GHG emissions, the Group is aware of the role technological and economic potential plays in limiting the global temperature rise to 2˚C above pre-industrial levels. To enhance the air quality, the Group maintained the normal operation of two sets of exhaust gas treatment units to remove the NO_x, SO_2 and other atmospheric pollutants generated from the cremator. Detailed measures taken by the Group to reduce its GHG emissions through reducing electricity consumption will be described further in **A.2. Use of Resources** of this report.

Wastewater and Solid Waste

During the year under review, the wastewater and solid waste generated by the Group were mainly municipal wastewater and municipal solid waste from daily operations. In the management of commercial waste, especially plastic and paper waste, the Group has implemented a classification method for the collection, such as wasted paper, wasted packages, disposed files and dietary wastes. The non-recyclable solid wastes that have been classified will then be transported to a local recycling centre or waste disposal plant for further treatment by a sanitary service company. The dietary wastes will be used as fertilizer in the cemetery.

Municipal wastewater generated from the offices is handled by the property management and directly discharges into the municipal sewer line, while those generated in the funeral services is treated as irrigation water to water the plants in the cemetery. Since the amount of wastewater generated highly depends on the amount of fresh water used, the Group has adopted specific measures to control and reduce water consumption in offices and the funeral parlor and strictly controlled the consumption of office supplies, which are further described in **A.2.Use of Resources** of this report.

A.2. Use of Resources

The use of natural resources has always been the key issue for the Group's environmental concern. To effectively manage its resources consumption, the Group keeps improving its tracking of ESG related KPIs (Key Performance Indicators) and launches internal monitoring programme on the procurement and use of resources. In FY2018, the major resources consumed by the Group were electricity, water, paper, and diesel.

Table 3: The Group's Total Use of Resources by Category in FY2018

Use of Resources		Unit	Amount	Intensity* (Unit/ employee)
Electricity		kWh	135,585.0	2,169.4
Diesel		L	88,329.7	1,413.3
Gasoline		L	42,435.7	679.0
Water		M^3	20.9	0.3
Packaging materials	By plastic	kg	816.0	13.1
	By paper	kg	1,000.0	16.0
	By metal	kg	40.0	0.6
Paper		kg	12.4	0.2

* Intensity was calculated by dividing the amount by the Group's FY2018 average number of employees;

** The metal packaging material comes form the new office in Beijing established in FY2018.

Electricity

The Group's use of electricity comes from the daily operation. In FY2018, the total electricity consumption of the Group was 135,585.0 kWh (with an intensity of 2,169.4 kWh/employee). To reduce the electricity consumption, the Group established the electricity-saving principle and encourages the innovation and adoption of more environmentally friendly technologies in its business.

During the year under review, many eco-friendly measures were conducted by the Group to manage its electricity consumption. To ensure the effective use of electricity, other electricity-saving measures implemented by the Group are detailed below:

- **Turn off all lights and electronics whenever and wherever not necessary;**
- **Modify the set temperature of air conditioners in the offices based on the season;**
- **Clean office equipment such as refrigerate, air condition and shredder regularly to ensure their efficiency;**
- **Use electronic facilities with energy saving label; and**
- **Replace high electricity consumption lamps with electricity saving lamps for office lighting.**

Water

Water consumption by the Group is for domestic use by its staffs during the working hours. The total water consumption of the Group was 20.9 m^3 in FY2018, which was minimal and need-based. In FY2018, the Group did not face any problems in sourcing water. To improve the utilization efficiency of water resources, the Group and all its employees have laid emphasis on water conservation and are dedicated to saving every drop of precious water resource by various efficacious ways. Specifically, to improve the utilisation efficiency of water resources, the Group has adopted the following practices:

- **Recycle used water for cooling and cleaning if possible;**
- **Require employees to strictly adhere to the principle of water conservation in their daily work;**
- **Repair the drip tap immediately; and**
- **Posting stickers 'Saving Water Resources' on prominent places.**

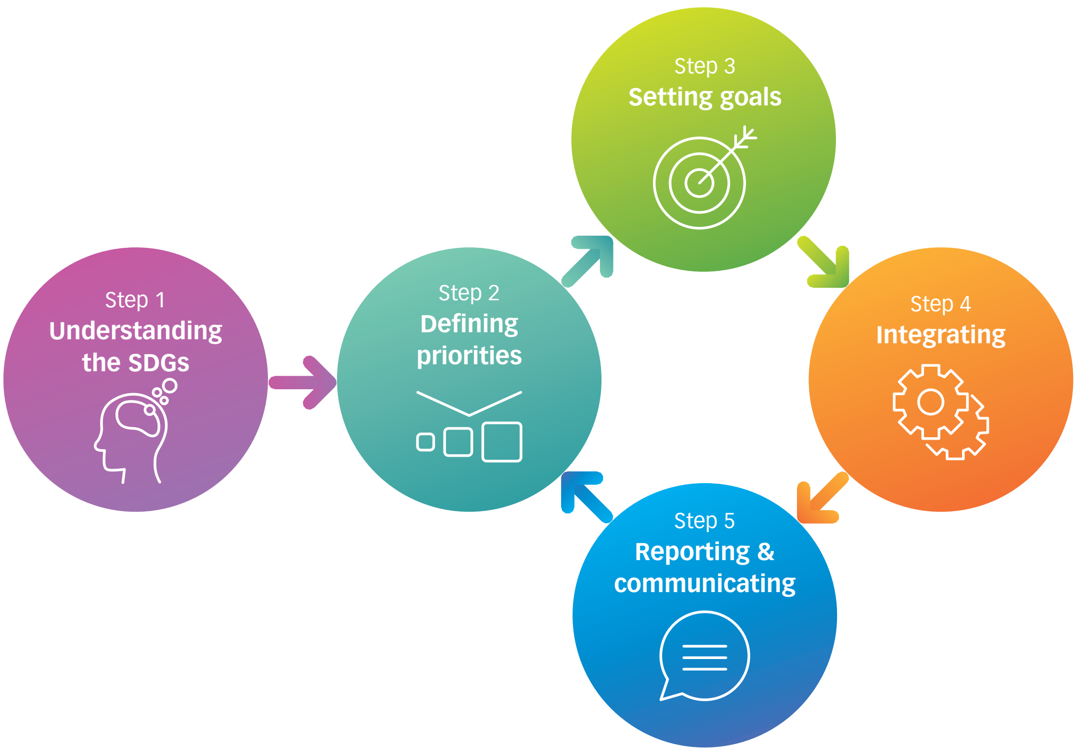
Packaging Materials

Due to the nature of the Group's business segment, the packaging materials used are mainly coffin and body bags. Since the coffin and body bag are on made-to-order basis, there is no specific measurement to reduce their consumption. Other packaging materials, such as paper and plastic, consumed by the Group in FY2018 amounted to 1.8 tonnes.

A.3. The Environment and Natural Resources

The Group is committed to developing its business according to the "Going Green and Low Carbon" concept and gearing up to incorporate the idea into operations. As the one of the main natural resource consumed by the Group, paper has always been the cornerstone of the fulfilment of the Group's environmental responsibilities. In order to reduce the negative impacts that the life cycle of paper exerts on the environment, the Group realises that a highly efficient usage of paper such as double-sided printing and checking files before printing.

Sustainable Development Goals (SDGs) of United Nations defined the vision and priorities of global sustainability in 2030 and call on all enterprises to maximise their innovation capabilities for addressing the challenges of sustainability and to some degrees accomplishing the 17 sustainability goals together. With an ambitious target to integrate the global sustainable development goals into its business strategies, The Group references the SDGs Compass and commits to achieve the understanding of sustainability goals, setting of priorities and long-term goals, integration and implementation of corporate sustainability efforts, and effective reporting and communication in the near future.



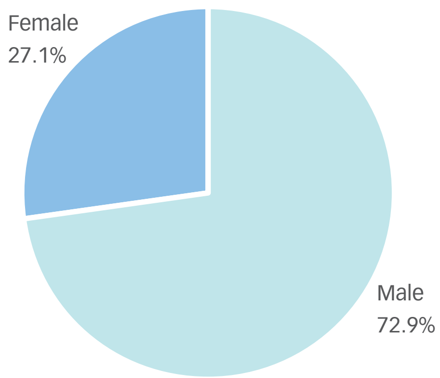
As a company with a long-term vision to forge a sustainable and eco-friendly business model in both (i) funeral and (ii) media and entertainment industries, the Group is currently working on the establishment of sustainable development framework by environmental awareness building and SDGs evaluation under the context of industrial trend and business nature. Hence, the Group initially selected Target 3 "Good Health and Well-Being for People" and Target 8 "Decent Work and Economic Growth", as its prioritised targets in the value chain management and proactively took corresponding measures to contribute to global sustainability. The Group hopes that through its unwavering efforts to insist on the concept of safety, harmony and green development, and increasing investment in innovative ways for its business, a more effectively resource-saving and environmentally-friendly corporation that pioneers in Hong Kong will be ultimately created.

VI. SOCIAL SUSTAINABILITY

Employment and Labour Practices

B.1. Employment

The Group views talents as its most valuable assets and the key driving factor in ensuring the success and sustainable development of the Group. Upholding the concept of "paying respect to the dedicated, utilising the competent, fostering the aspiring and incentivising the innovative", the Group strives to providing a safe and sound working environment for employees and cultivating talents experienced in technology and management.



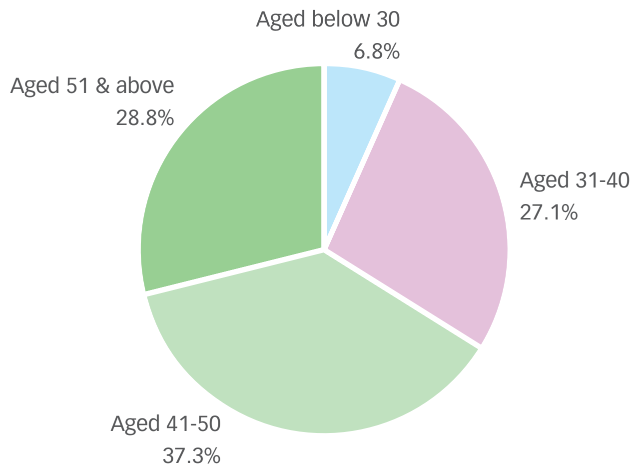


Table 4: Total workforce by gender, employment type and age group in FY2018

Unit: number of employees			By age group		
Gender	**Aged below 30**	**Aged 31-40**	**Aged 41-50**	**Aged 51 & above**	**Total**
Male	2	9	16	16	43
Female	2	7	6	1	16
Total	4	16	22	17	59

Law compliance

The Group's human resources policies fully align with the applicable employment laws and regulations in Hong Kong and the PRC, such as the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Labour Law of the PRC (《中華人民共和國勞動法》), and Labour Contract Law of the PRC (《中華人民共和國勞動合同法》). To make sure that the relevant internal policies are fully in line with the latest laws and regulations, it is the Group's human resources department that reviews and updates corporate documents in talent management on a regular basis.

Recruitment and promotion

Talent acquisition is vital to the sustainable development of the Group's business. To attract high-calibre candidates, the Group offers fair, competitive remuneration and benefits based on individuals' performance, personal attributes, job experiences and career aspiration. In addition, the Group has proposed a variety of initiatives to facilitate the recruitment of staffs, such as job advertisements on internet websites and hiring headhunting companies. The Group believes that its continuous efforts will tremendously help attract the most suitable and outstanding personnel to join the Group.

Compensation and dismissal

The compensation package of the Group is decided according to employee's capability past performance & benchmark. Any termination of employment contract would be strictly based on reasonable and lawful grounds. The Group prohibits any kinds of unlawful or unreasonable dismissals.

Working hours and rest period

The Group arranges reasonable working hours and rest periods for its employees. In addition to basic paid annual leave and statutory holidays stipulated by the local governments, employees are entitled to additional leave benefits such as marriage leave, paternity leave and compassionate leave.

Equal-opportunity and anti-discrimination

As an equal opportunity employer, the Group is committed to creating a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in all human resources and employment decisions. For instance, training and promotion opportunities, dismissals and retirement policies are determined irrespective of employees' gender, race, age, disability, family status, marital status, sexual orientation, religion beliefs, nationality or any other non-job-related factors in all business units. The Group's equal opportunities policy enforces zero tolerance to any workplace discrimination, harassment or victimization in accordance with the relevant government legislation, ordinances and regulations, such as the Disability Discrimination Ordinance (Chapter 487 of the Laws of Hong Kong) and the Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong). Disciplinary actions would be taken against the relevant employee if there is any non-compliance or breach of legislation related to the equal opportunities policies.

Other benefits and welfare

To cultivate employees' sense of belonging, the Group offers additional benefits to its employees including medical subsidiaries and early leave on special holidays, such as Christmas Eve, Mid-Autumn Festival, Chinese Winter Solstice Festival, Chinese New Year's Eve and New Year's Eve, and so on.

In FY2018, the Group hosted a series of corporate activities for its employees, such as celebration of special holidays like Women's Day, Dragon Boat Festival, Mid-Autumn Festival, Children's Day, Double Ninth Festival, Christmas and Chinese Lunar New Year and cinema appreciation. The Group considers these events as an essential part of its enterprise management, which could to large extent help employees to relieve stress, and reflect the Group's corporate culture through reinforcing the spirit of solidarity and cohesion among employees.

During FY2018, the Group was in full compliance with relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits that have a significant impact on the Group.

B.2. Health and Safety

To provide and maintain a good working condition and a safe and healthy working environment, the Group's safety and health policies are in line with the workplace health and safety laws and regulations in Hong Kong and the PRC, namely the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), Law of the PRC on the Protection of Production Safety (《中華人民共和國安全生產法》) and Regulation on Work-Related Injury Insurance (《工傷保險條例》). The Group has established a comprehensive mechanism and stringent safety and labour practice standards to ensure workplace to minimise the risk of accidents and enhance employees' health and safety awareness.

During the year under review, the Group's funeral service business held occupational health and safety trainings, developed 4 fire drill scenarios to prevent employees form occupational hazardous. The Group invited the county fire brigade instructor to conduct fire safety knowledge training and fire emergency drill for all 40 employees at 27th February, 2nd April, 27th June and 9th November respectively. At the end of every month during the year under review, the Group organised safety production training for all employees, including emergency drills, fire drills, disinfection protection training, business operation training, policy explanations, etc. These trainings enhanced the safety awareness of employees and improved employees' ability to deal with emergency situations.

Besides, the Group also strived to providing employees with a safe working environment. In the funeral parlor, the Group has established safety and health announcements to launch safety operation targets and held safety meetings to ensure the safeness of working areas. Safety checks were held regularly to ensure all the safety protection equipment is well-equipped. In working places, safety warrant and slogans are posted to remind employees' to protect themselves from occupational hazardous. Air-system cleaning and carpet disinfection were also implemented to keep a safety and health working environment. Protective garments, masks and gloves are free for employees to use. The Group also provide disinfectants for relevant employees and customers and conduct environmental disinfection in the operation site at least twice per day.

During the operation process, to ensure the health and safety of the employees and the customers when providing services such as cremation, changing clothes and putting on make-up for the corpse, and embalming the body, the Group has taken the following measures:

- **A death certificate issued by hospital before cremation**
- **Refuse to change clothes, put on make-up, embalm the body and cremate the body immediately if the cause of death is contagious**
- **Adequate disinfection equipment must be provided**

During FY2018, the Group was not in violation of any of the relevant laws and regulations in relation to providing a safe working environment and protecting the employees from occupational hazards that have a significant impact on the Group.

B.3. Development and Training

Training presents an opportunity to expand the knowledge base of all employees, which the Group finds quite useful for addressing employees' weakness, improving employees' performance, keeping the consistency between employees and corporate vision, and meeting employees' training expectations. Thus, the Group actively provide training opportunities for employees. The Group believes that professional trainings are a fundamental step to foster the understanding of its business philosophy among employees and the cornerstone to ensure the service quality.

Table 5: Total Training Courses of the Group in FY2018

	No. of employee trained	Total training hour	Average training hours per employee
Male, general employee	21	1,008	48
Female, general employee	5	195	39
Male, manager	12	1,059	88
Female, manager	7	392	56
Male, director	5	82	16
Female, director	0	0	0
Total	50	2,736	54

The Company provides comprehensive on-the-job training for newly hired employees to help them understand the company's corporate culture, business processes, work health and safety measures, management systems and group development. For experienced employees, the Group also provide technical and operational training and funeral related knowledge lecture.

In addition, the Group encourages its employees to enhance their competitiveness and expand their capacity through continuous learning by attending external training. During FY2018, the Group organized employees to attend external training, including the operational training for General Edition Funeral Management Service Information System, Statistics Professional Practitioner Education Training Course and Funeral Director Training Course. Referring to the headquarter in Hong Kong, the Group invited the Hong Kong Institute of Directors to have a 3-hours lecture on corporate management. Employees that have signed up for external trainings/examinations may be granted extra leave, such as study leave or examination leave, and the opportunity to apply for a reimbursement upon the approval from the head of department.

B.4. Labour Standards

The Group strictly abides by the Employment Ordinance, Labour Law of the PRC（《中華人民共和國勞動法》）, Labour Contract Law of the PRC（《中華人民共和國勞動合同法》）and other related labour laws and regulations in Hong Kong and the PRC to prohibit any child or forced labour employment.

To combat illegal employment on child labour, underage workers and forced labour, and to ensure that applicants are lawfully employable, all employees are required by the Group's human resources staff to provide valid identification document prior to the confirmation of employment. The human resources department is responsible for monitoring and ensuring compliance with the latest and relevant laws and regulations that prohibit child labour and forced labour. The Group has regular review on the human resources policies and the human resources department established reporting mechanism to monitor and ensure the compliance of all relevant laws and regulations.

During FY2018, the Group was not in violation of any relevant laws and regulations, in relation to the prevention of child and forced labour that have a significant impact on the Group.

Operating Practices

B.5. Supply Chain Management

As a socially responsible enterprise, it is critical and vital for the Group to maintain and manage a sustainable and reliable supply chain that makes minimal negative impacts on the environment and society. Each of the operating subsidiaries within the Group monitors the quality of its suppliers and ensures the supply chain practice on a strict and continuous basis. The entertainment business segment only involves few suppliers, hence this part only focuses on the business segment of funeral services.

The main business of this segment is to provide service about funeral and interment. Thus, the principle supplies are mainly urns, eco-friendly coffins. The Group chooses suppliers according to the requirements of the specific business and customers and the environmental and social risks. The standards are listed as below:

a. **The suppliers must hold legal business license;**

b. **The product quality of the suppliers must be high-class;**

c. **The products of the suppliers must be environmentally friendly and pollution-free, which should be healthy and safe to the employees and the customers.**

To maintain a fair and transparent purchase, the Group established a procurement manual, which is abstracted below. All the purchase within the Group should be based on the concept of cost efficient and clearly defined procurement contract.

1. **For procurement of materials, an expense approval form should be prepared according to business needs, and the quantity of purchase, price grade, etc.;**
2. **The fee approval form is submitted by the applicant and must be approved by the department head and the financial supervisor before being submitted to the general manager for approval;**
3. **After the materials are purchased, they should be handed over to the warehouse, who should fill in the inspection and acceptance form;**
4. **The purchaser shall hold the inspection receipt and the invoice to the financial department for review, and the general manager may approve the reimbursement.**

The Group's purchase department also takes other aspects into account when choosing suppliers such as raw material quality, service quality, former records, projects, reputation and social and environmental responsibility.

The Group is dedicated to reducing the impact of supply chain on the environment and advocates green procurement. Apart from quality requirements, the environmental requirements are also listed in the procurement contract. The Group refuses to use suppliers who has environmental pollution and tried to use environmentally-friendly product. At the same time, the Group assists suppliers to solve environmental problems together and strived to achieve "three wins" for demanders, customers and the environment.

The purchase department runs the annual evaluation of the suppliers in the following four aspects: regulatory compliance, rights of the employees, health and safety, and environment protection. If there is no serious quality accident or delay on delivery, the supplier is recognised as qualified supplier and added to the supplier list. Suppliers with serious problems existed in the regulatory compliance, rights of the employees, health and safety, and environment protection will be put in the black list immediately. Through the live monitoring on the suppliers, the Group runs test on raw materials and products to track any potential defects. If the products do not accord with the requirements of the Group, the Group would monitor the supplier to take remedy measures and ensure its effective operation.

The Group always keeps a firm and stable relationship with its suppliers and is updated of the suppliers' situation effectively through the internet, phone calls, and other communication means to ensure that all suppliers comply with local laws and regulations and adherence to their corporate ethics. In the meantime, the Group stays in contact with the suppliers to replenish products in case of any shortage. The Group also conduct basic evaluations upon contracts in top management turnover, production capacity, changes in manufacturing techniques and raw materials, and violations of the law and discipline of the suppliers.

B.6. Product Responsibility

The Group strictly abides by the core value "benevolence" and the service concept "treat the deceased as our loved ones and make customers move on without regrets" in daily operations. The Group advocates civilized and frugal procedure of the funeral and promotes the concept known as "Green Funeral" in the funeral service business. In the entertainment business segment, the Group engages in the investment and production of media and entertainment projects and other commercial performing arts media including artist management and retail and branding.

Funeral service business

Law compliance

The Group's daily operation strictly complies with all relevant laws and regulations. Upon providing service of the funeral and interment and cemetery for the placement of bone ash, the Group mainly follows the regulations of the National Funeral Management Regulations (《國家殯葬管理條例》) and Funeral Management Approach for Guangdong Province (《廣東省殯葬管理辦法》) to ensure legal compliance. No violation of relevant laws relating to service quality, health and safety, advertising, labelling and privacy was found in FY2018.

Quality of products

To build up the harmonious relationship between man and nature, the Group advocates civilized and frugal procedure of the funeral and promotes the concept of "Green Funeral". Under the guidance of the local government, the Group has gradually developed areas for arbour burial, flower burial and grassland burial in the operation site. In FY2018, the total number of "Green Funeral" in the Group amounted to 30, which takes up 1% of the total funerals during the year under review. The Group is planning to increase the number of "Green Funeral" in the following years to reduce its environmental impacts.

Any action that is not complied with the National Funeral Management Regulations (《國家殯葬管理條例》) and Funeral Management Approach for Guangdong Province (《廣東省殯葬管理辦法》) nor obeyed the Group's arrangement could lead to serious loss, and staffs relating to the false action would be recorded and dismissed, if necessary, to ensure the service quality.

Health and safety

The Group pursues high hygiene standards and performs sterilisation on the remains once they are transported to our facilities. With Regard to the quality and safety of the ashes stored in the company, the ashes are produced by high temperature cremation of over 900 degrees centigrade. The only practice to prevent them from deteriorating is to seal them up. The cremation urns are kept in the ashes building with specific employees on guard to ensure proper management. Due to the strict management rules, there is no case of ashes deterioration or loss urns for the last decade since the operation site was built up.

To ensure a clean and tidy environment and that the funeral equipment is in good condition so that the deceased can be kept properly, the company is equipped with specialised cleaning staff who are required to clean the whole office area at least twice a day. Staffs must check the funeral related instruments to ensure safety and regular processing.

Besides, Funeral Management Department in both Zhaoqing City and Huaiji County monitors and checks 6 aspects in the operation to ensure the health and safety of the Group.

Complaints

The Group has prepared opinion box and telephone complaints for 24-hour supervision from the staff and the public. The complaints are collected and sent to the head office to conduct further study and analysis. According to the complaint content, complaints were assigned to different employees and the dealing results were public to all employees. During the year under review, the Group has not received any complaint.

Advertising

Due to the special nature of our business, no public advertisement is conducted, yet many new customers have been referred to us by word-of-mouth, where customers who are satisfied with our products and services share their experience with others around them. These measures strengthen our product offerings and service quality, and consequently enable us to stay competitive in the market.

Privacy matters

The Group complies with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) and the relevant PRC laws and regulations to ensure that the rights and interests of customers are strictly protected. Internal file management system has built to archive all the cremation information and protect information from external threats. No information should be disclosed to a third party without permission form customers. Only specific staffs can reach the information and data processing is guided by different departments. Through internal training and confidential contract, the Group enforce the impression of confidential obligation and consequences of data leakage. The IT department sets obstruction between office and commercial net to prevent unauthorized data use, exportation and copy.

Intellectual property rights

The Group complies with laws and regulations that have great impact on the Group such as Patent Law of the PRC（《中華人民共和國專利法》）, the Trademark Law of the PRC（《中華人民共和國商標法》）and Patents Ordinance (Chapter 514 of the Laws of Hong Kong). Employees also have the responsibility to protect the intellectual property.

Entertainment business

Law compliance

As the entertainment segment mainly engages in the investment and production of media and entertainment projects and other commercial performing arts media, the Group has complied with intellectual property related laws and regulations in Hong Kong, Macao and the PRC. The specific laws involved include but not limited to: DL 43/99/M in Macao, the Copyright Ordinance (Chapter 528 of the Laws of Hong Kong) and the Patent Law of the People's Republic of China (《中華人民共和國專利法》). Besides all the laws above, the Group also abides to the regulations in the PRC for web drama publishing.

Quality of products

The Group strives to provide the best product to customers and has established internal quality control team to monitor the product quality. Before investing in projects, the Group will conduct a research its quality and profitability.

Advertising

The Group reviews all the promotion and marketing materials before publishing to ensure there is no exaggeration and wrongful description. All advertising materials should comply with the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》).

Intellectual property rights

We see the intellectual property as our most valuable asset and actively applies for trademarks and specialised knowledge. To safeguard the interest of the Group, the management team would review the clauses of the agreement in details properly to enter the agreements.

Apart from this, the Group also pays a lot attention on preventing infringement. Genuine materials are commonly used to avoid infringement and solicitors are engaged to review the material contract and seeks for legal advice when infringement happens.

B.7. Anti-corruption

To maintain a fair, ethical and efficient business and working environment, the Group strictly adheres to the local laws and regulations relating to anti-corruption and bribery, irrespective of the area or country where the Group conducts its business, such as Law of the PRC on Anti-money Laundering (《中華人民共和國反洗錢法》), Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong), and the Prevention of Bribery Ordinance (Chapter. 201 of the Laws of Hong Kong).

All employees are expected to discharge their duties with integrity and self-disciplined, and they are required to abstain from engaging in any activities related to bribery, extortion, fraud and money laundering which might affect their business decision or independent judgment during business operations which might exploit their positions against the Group's interests.

The Group has no tolerance to any corruption and set whistle-blowing policy to report any corruption. Whistle-blowers can report verbally or in writing to the department or the senior management of the Group for any suspected misconduct with full details and supporting evidence. The management will conduct investigations against any suspicious or illegal behaviour to protect the Group's interests. The Group advocates a confidentiality mechanism to protect the whistle-blowers against unfair dismissal or victimisation through security regimes. Where criminality is suspected, a report is made to the relevant regulators or law enforcement authorities when the management considers necessary.

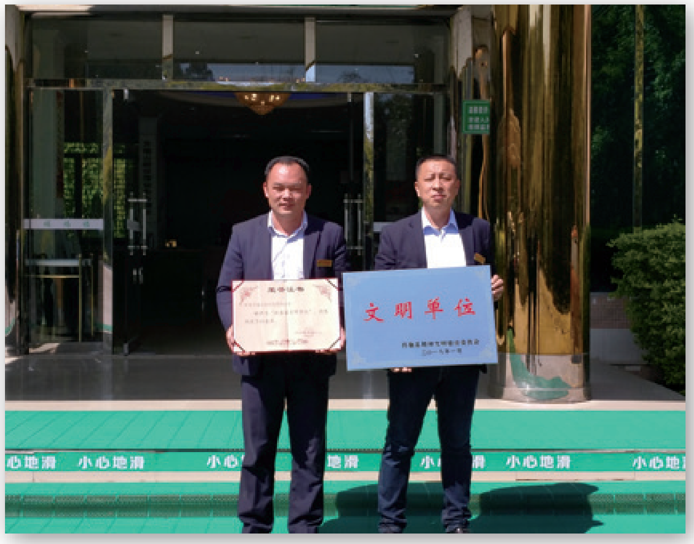
During the year under review, the Group was not in violation of any of the relevant laws and regulations in relation to bribery, extortion, fraud and money laundering that have a significant impact on the Group.

Community

B.8. Community Investment

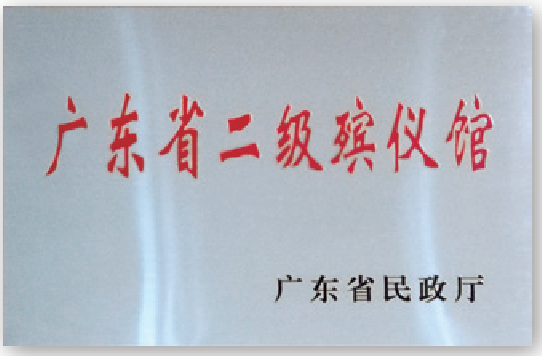
The Group believes that community is the foundation on which the company depends for survival and development. All business activities of the company will fully consider the interests of the community. The Group places great emphasis on cultivating social responsibility awareness among employees, encourages them to voluntarily participate in charitable community activities and focuses on contribution of spiritual civilization.

The Group believes in the power of education to positively impact the lives of individuals. In FY2018, the Group supported local primary school as well as non-profit organisations through donations and staff volunteerism. In Hong Kong, employees visited to Po Leung Kuk residential child care service to have a birthday celebration with the children, been volunteer in the Winter Wanderland. In PRC, employees visited to child welfare centre to have a Mid-Autumn Festival celebration with orphans. The Group hope to comfort the homesick of children on their birthday and the special festival, and deepen employees' understanding on the homeless children.



Apart from local education, the Group also engaged in the development of spiritual civilization during the year under review. Donating on the road building, charity event aiming to help the aged, and donating to the nursing home, all help the Company to build a harmonious community and a helping society. Considering the numerous contributions, the Group was rewarded as civilized corporation by local government.

Despite the cultural contribution, the Group also focus on the environmental impact. The community is the foundation on which the Group depends for survival and development, all the business operation of the Group would fully consider the social benefits. The exhaust gas treatment equipment is installed to ensure all the emission has no pollution to the surroundings. The Group also required employees to standardise the operation to reduce energy consumption to reduce indirect emission. The greening is continuous increased during the years to remove emissions during operation. Due to the continuous contribution, the Group has fulfilled the requirement of the Level 2 funeral parlor in Guangdong Province.



During the year under review, the Group focuses on education, community infrastructure investment, and environmental contribution.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Chong Cho Lam ("Mr. Chong"), aged 40, joined the Group on 16 May 2018. Mr. Chong has worked in the media and entertainment field over 15 years. He founded Chessman Entertainment and Production Limited in Macau ("Chessman Macau") in 2001 which is specializing in stage production and entertainment related projects. In 2014, he also founded Chessman Entertainment Production (HK) Ltd ("Chessman HK"), a company working in brand management, advertising, event planning and artiste management for clients. Mr. Chong is currently a managing director of both Chessman Macau and Chessman HK.

Mr. Chong is a Convenor of Committee of Cultural Industries of the Government of the Macao Special Administrative Region ("SAR"), a member of Commission on Youth of the Government of the Macao SAR, Chairman of Macau Artistes Association and a fellow of Hong Kong Institutes of Directors ("HKIoD"). Mr. Chong holds his Bachelor Degree in Chinese Language and Literature from the University of Macau in 2003. In 2019, Mr. Chong completed the Global Directorship Programme jointly organised by University of Cambridge Institute for Sustainability Leadership and HKIoD.

Mr. Dong Choi Chi, Alex ("Mr. Dong"), aged 38, joined the Group on 4 May 2015. Mr. Dong has extensive experience in business development and marketing. In 2009, he founded Nextra Marketing and Business Consulting Limited ("Nextra Marketing") in Macau which is specializing in event management and formulating strategic plans for clients. In 2011, he founded Nextra (HK) Limited ("Nextra HK"), a company provides creative marketing solutions to the Hong Kong market. In the same year, he also founded Sun Entertainment Culture Limited, a company produces and distributes films and orgnaises live concert. Currently, Mr. Dong is the Chief Executive Officer of both of Nextra Marketing and Nextra HK and as well as a director of Sun Entertainment Culture Limited.

Mr. Dong is Sir of Malta Knights of St. John, Charter President of Macau Artistes Association and a fellow of Hong Kong Institutes of Directors ("HKIoD"). Mr. Dong holds his Master of Business Administration in Chinese Business Studies at St Clements University in 2011 and a Master of Business Administration at the Business University of Costa Rica in 2012. In 2018, Mr. Dong completed the Professional Program in Producing at the School of Theater, Film and Television, the University of California, Los Angeles, one of the top elite entertainment and performing arts institutions in the world. In 2019, Mr. Dong completed the Global Directorship Programme jointly organised by University of Cambridge Institute for Sustainability Leadership ("CISL") and HKIoD and the Prince of Wales's Business of Sustainability Programme organised by CISL.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wai Man ("Mr. Chan"), aged 53, joined the Group on 23 November 2007 and is a member of the Institute of Chartered Accountants in England and Wales and also a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Chan has experiences in auditing, taxation and finance. Mr. Chan was an independent non-executive director of Tai United Holdings Limited (stock code: 718) and Global Mastermind Holdings Limited (stock code: 8063) from May 2013 to January 2016 and April 2014 to December 2015 respectively.

Mr. Siu Hi Lam, Alick ("Mr. Siu"), aged 64, joined the Group on 2 February 2010, is the managing director of Fortune Take International Limited, a company engaging in providing financial consultancy services. Mr. Siu has worked in the finance and banking field for more than 25 years. Mr. Siu was the senior vice president of AIG Finance (Hong Kong) Limited and the vice president of Bank of America and responsible for business development and credit risk management. Mr. Siu holds a Master degree in Business Administration from the University of Hull in the U.K. Mr. Siu is currently an independent non-executive director of New Provenance Everlasting Holdings Limited (stock code: 2326) and Get Nice Holdings Limited (stock code: 64).

Mr. Ting Kit Lun ("Mr. Ting"), aged 53, joined the Group on 12 October 2015, has been a senior executive with substantial experience in mergers and acquisitions, investment management and regulatory compliance. Mr. Ting had served as APAC head of compliance and regional controller for 15 years in two Fortune 500 MNCs. Mr. Ting has also served a multi-national manufacturing enterprise as Chief Operating Officer. Mr. Ting is now a managing director of a licensed investment firm in Hong Kong providing investment advisory and risks management services to his clients, which include prominent financial groups in Hong Kong, an overseas bank and private equity firms in China.

Mr. Ting is a Responsible Officer licensed under the Securities and Futures Ordinance for securities advisory and asset management in Hong Kong. Mr. Ting is a fellow of the Association of Chartered Certified Accountants. Mr. Ting holds his Master of Business Administration degree from the University of Leicester, and his Master of Laws degree from the University of Hong Kong.

SENIOR MANAGEMENT

Mr. Jip Ki Chi ("Mr. Jip"), aged 49, joined the Group on 16 June 2014 and was appointed as the CFO and Company Secretary in September 2014. Mr. Jip is a fellow member of The Hong Kong Institute of Certified Public Accountant ("HKICPA") and is a Certified Practising Accountant of CPA Australia ("CPA (Aust.)"). Mr. Jip graduated from Queensland University of Technology, Australia with a bachelor's degree of business in accountancy In March 1994. Mr. Jip then graduated from University of Adelaide, Australia with a master degree in business administration in August 2008. Mr. Jip has a wealth of experience in account, finance, management and company secretarial field and is currently an independent non-executive director of China Meidong Auto Holdings Limited (Stock code: 1268) and Hebei Yichen Industrial Group Corporation Limited (Stock code: 1596).

Mr. Kwok Kwan Hung ("Mr. Kwok"), aged 53, joined the Group on 23 November 2007, is the director of subsidiary for overseeing the operation function of the funeral business. Mr. Kwok has over 25 years of experiences in financial industry and has held various senior positions in listed companies, investment banking groups and an international accounting firm. Mr. Kwok is a practicing certified public accountant, who is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Hong Kong Institute of Directors. Mr. Kwok holds a Bachelor's degree in Science from the University of London.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2018.

CHANGES IN DIRECTORS' INFORMATION

The changes in Directors' information as required to be disclosed pursuant to rule 17.50A(1) of the GEM Listing Rules are set out below:

Mr. Chong Cho Lam, the executive Director

– appointed as an executive Director and a member of risk management committee of the Company with effect from 16 May 2018.

Mr. Chui Bing Sun, the chairman and executive Director

– resigned as an executive Director, the chairman of the Company, the chief executive officer of the Group, a member of risk management committee, the compliance officer of the company under rule 5.19 of the GEM Listing Rules, an authorised representative of the Company under rule 5.24 of the GEM Listing Rules with effect from 19 March 2018.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 1 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's revenue and segment results by business segment and geographical segment for the year ended 31 December 2018 are set out in note 4 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss on page 56. The Directors do not recommend the payment of a dividend for the year ended 31 December 2018 (31 December 2017: nil).

FIVE YEARS FINANCIAL HIGHLIGHTS

A summary of the results and the assets and liabilities of the Group for the last five financial periods is set out on page 160 of the annual report.

BUSINESS REVIEW

Media and entertainment business

During the year ended 31 December 2018, the total revenue from media and entertainment business was approximately HK$144,968,000, which was 82.80% higher than that of the corresponding period of approximately HK$79,306,000. This included gain on investments in concert projects for the year of HK$2,025,000. During the year, revenues were mainly comprised of concert organisation income, musical organisation income, artiste management and performance income, and sponsorship income, as well as gain on investments in concert projects. The substantial increase in revenue was mainly due to the Group has organised more concerts during the current year as compared to the corresponding period of last year and also the revenue contributed by a musical namely《愛在星光裏》which organised by the Group and screened in Shanghai in late of 2018. During the year, the Group has organised a number of concerts namely《A CLASSIC TOUR 學友•經典世界巡迴演唱會2018 – 澳門站》,《五月天「LIFE 人生無限公司」巡迴演唱會2018 – 澳門站》,《楊丞琳<青春住了誰 Youth Lies Within>世界巡迴演唱會 – 香港場 2018》,《絕色莫文蔚世界巡迴演唱會 2018》, co-organised a concert namely《周杰倫 地表最強2 世界巡迴演唱會 – 澳門站》and invested in several concerts including《Leon Lai Concert 2018 – 澳門站》,《周杰倫 地表最強2 世界巡迴演唱會 – 香港》,《Namie Amuro Final Tour 2018 ~Finally~ in Asia》,《王力宏龍的傳人2060世界巡迴演唱會澳門站》and《Wanna One: The World》, etc.

Funeral services

During the year ended 31 December 2018, the Group's Hong Kong funeral services recorded a total revenue of approximately HK$260,000 which was 95.55% lower than that of the corresponding period of approximately HK$5,841,000 in 2017. During the year, revenues were mainly generated from sales of funeral packages, while there were (i) sales of funeral packages of approximately HK$1,890,000, (ii) provision of management services of approximately HK$2,700,000; and (iii) sales of the eternity gem products of approximately HK$1,251,000 in the corresponding period of last year. The management service agreement was expired in late 2017 and the Company did not renew the management service agreement. Also, there is no revenue generated from sales of eternity gem products for the current year since the business of eternity gem was disposed of in mid of 2017. Hence, the revenue recorded in the current year decreased substantially.

OPERATION REVIEW – MAINLAND CHINA

Funeral services and crematorium

Huaiji funeral parlour

Cremation business operation in Huaiji was performing steadily during the year ended 31 December 2018 and its total revenue for the year (including relevant government subsidies received) was approximately HK$10,450,000, which was 11.76% higher than that of the corresponding period of last year of approximately HK$9,350,000. The reason for the increase in revenue was mainly due to an increase in selling price of funeral services.

SIGNIFICANT EVENTS

On 23 January 2018, the Company and Heading Champion Limited (the "Offeror") jointly announced that the Offeror made voluntary conditional cash offers (i) to acquire all of the issued shares (other than those already owned by the Offeror and the parties acting in concert with it) of the Company at the share offer price of HK$0.16 per share; and (ii) to cancel all the outstanding options of the Company at the option offer price of HK$0.001 per option. Upon close of the offer, a distribution in specie has taken place by the Offeror to distribute all the shares of the Company held by the Offeror to its shareholders in proportion to its shareholding in the Offeror. After the distribution, Mr. Dong Choi Chi, Alex, Simple Cheer Limited and Mr. Chau Cheok Wa held 287,549,682 shares, 287,549,682 shares and 143,774,841 shares of the Company respectively, became the substantial shareholder of the Company.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 31 December 2018 is set out in note 13 to the consolidated financial statements.

SHARE ISSUED IN THE YEAR

Details of the Company's shares issued during the year ended 31 December 2018 are set out in note 26 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders comprised contributed surplus, share premium account and retained profit, if any. The Company had no retained profit available for distribution as at 31 December 2018.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Chong Cho Lam
(appointed as an executive Director on 16 May 2018)
Mr. Dong Choi Chi, Alex
Mr. Chui Bing Sun
(resigned as an executive Director, the chairman and chief executive officer on 19 March 2018)

Independent Non-Executive Directors

Mr. Chan Wai Man
Mr. Siu Hi Lam, Alick
Mr. Ting Kit Lun

In accordance with clause 84 of the Bye-laws of the Company, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and shall be eligible for re-election. Accordingly, Mr. Chan Wai Man and Mr. Dong Choi Chi, Alex will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors of the Company has entered into a service contract with the Company for an initial term of one year from the date of appointment and is renewable each year thereafter, until terminated by not less than two months' notice in writing served by either party.

Each of the independent non-executive Directors of the Company has entered into a service contract with the Company for an initial term of one year from the date of appointment and is renewable each year thereafter, until terminated by not less than one month's notice in writing served by either party.

Save as disclosed above, none of the Directors offering themselves for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company had received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive Directors are independent.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2018, the interests of the Directors and the chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Interests in shares and underlying shares of the Company

Number of ordinary shares and underlying shares beneficially held

(A) Long positions

Name	Capacity	*Notes*	Number of shares held	Number of underlying shares held	Total number of shares and underlying shares held	Percentage of issued share capital
Mr. Chong Cho Lam ("Mr. Chong")	Beneficial owner	*1*	–	10,000,000	10,000,000	0.82%
Mr. Dong Choi Chi, Alex ("Mr. Dong")	Beneficial owner		287,549,682	–	287,549,682	23.61%
	A concert party to an agreement to buy shares described in S.317 (1)(a) of the SFO	*2*	431,324,523	–	431,324,523	35.42%
			718,874,205	–	718,874,205	59.03%

Notes:

1. The underlying shares represent the share options granted by the Company to Mr. Chong to subscribe for 6,500,000 and 3,500,000 shares at exercise price of HK$0.576 and HK$0.484 respectively.

2. Mr. Dong, Mr. Cheng Ting Kong and Mr. Chau Cheok Wa are parties acting in concert in respect of the Company pursuant to a deed in relation to parties acting in concert dated 23 January 2018.

(B) Share Options

Pursuant to the new share options scheme adopted by the Company on 31 August 2011, certain Directors and participants were granted share options to subscribe for the Company's shares, details of share options outstanding and exercisable as at 31 December 2018 were as follows:

	Number of share options							
Name/ Category of participants	Outstanding as at 1 January 2018	Granted during the year	Exercised during the year	Forfeited/ lapsed/ cancelled during the year	Outstanding and exercisable as at 31 December 2018	Date of grant	Exercise period	Exercise price per share
Category 1: Directors								
Mr. Chong	–	6,500,000	–	–	6,500,000	16 May 2018	16 May 2019 – 15 May 2028	HK$0.576
	–	3,500,000	–	–	3,500,000	6 July 2018	6 July 2019 – 5 July 2028	HK$0.484
Mr. Chui Bing Sun (resigned as an executive Director on 19 March 2018)	1,052,820	–	–	(1,052,820)	–	22 March 2011	22 March 2011 – 21 March 2021	HK$4.175
Mr. Chan Wai Man	23,927	–	–	(23,927)	–	15 February 2008	15 February 2008 – 14 February 2018	HK$6.892
	119,638	–	–	(119,638)	–	5 December 2011	5 December 2011 – 4 December 2021	HK$2.372
Mr. Siu Hi Lam, Alick	119,638	–	–	(119,638)	–	5 December 2011	5 December 2011 – 4 December 2021	HK$2.372
Sub total	1,316,023	10,000,000	–	(1,316,023)	10,000,000			
Category 2: Employees/consultants								
Employee	38,284	–	–	(38,284)	–	15 February 2008	15 February 2008 – 14 February 2018	HK$6.892
Employees	981,034	–	–	(981,034)	–	7 July 2010	7 July 2010 – 6 July 2020	HK$1.784
Employee	153,137	–	–	(153,137)	–	12 August 2010	12 August 2010 – 11 August 2020	HK$4.912
Employees	430,698	–	–	(430,698)	–	9 September 2010	9 September 2010 – 8 September 2020	HK$4.791
Employees	765,686	–	–	(765,686)	–	13 September 2010	13 September 2010 – 12 September 2020	HK$4.474
Employees	693,903	–	–	(693,903)	–	3 December 2010	3 December 2010 – 2 December 2020	HK$4.455

Name/ Category of participants	Number of share options: Outstanding as at 1 January 2018	Granted during the year	Exercised during the year	Forfeited/ lapsed/ cancelled during the year	Outstanding and exercisable as at 31 December 2018	Date of grant	Exercise period	Exercise price per share
Employee	1,196,386	–	–	(1,196,386)	–	5 December 2011	5 December 2011 – 4 December 2021	HK$2.372
Employee	1,624,311	–	–	(1,624,311)	–	18 January 2013	18 January 2013 – 17 January 2023	HK$1.102
Employees	1,800,000	–	–	(1,800,000)	–	11 April 2016	11 April 2019 – 10 April 2026	HK$0.188
Employees	5,400,000	–	–	(5,400,000)	–	25 January 2007	25 January 2020 – 24 January 2027	HK$0.200
Employees	–	6,000,000	–	–	6,000,000	16 May 2018	16 May 2021 – 15 May 2028	HK$0.576
Employee	–	8,500,000	–	–	8,500,000	6 July 2018	6 July 2019 – 5 July 2028	HK$0.484
Consultant	555,122	–	–	(555,122)	–	12 August 2010	12 August 2010 – 11 August 2020	HK$4.912
Consultant	135,430	–	–	(135,430)	–	6 September 2010	6 September 2010 – 5 September 2020	HK$4.137
Consultant	1,052,820	–	–	(1,052,820)	–	22 March 2011	22 March 2011 – 21 March 2021	HK$4.175
Consultant	4,500,000	–	–	(4,500,000)	–	11 April 2016	11 April 2017 – 10 April 2026	HK$0.188
Consultant	1,500,000	–	–	(1,500,000)	–	25 January 2007	25 January 2020 – 24 January 2027	HK$0.200
Consultants	–	10,500,000	–	–	10,500,000	16 May 2018	16 May 2019 – 15 May 2028	HK$0.576
Consultant	–	1,500,000	–	–	1,500,000	16 May 2018	16 May 2021 – 15 May 2028	HK$0.576
Consultant	–	5,500,000	–	–	5,500,000	6 July 2018	6 July 2019 – 5 July 2028	HK$0.484
Sub total	20,826,811	32,000,000	–	(20,826,811)	32,000,000			
Total of all categories	22,142,834	42,000,000	–	(22,142,834)	42,000,000			

All the share options granted by the Company before the general offer, were cancelled upon close of the general offer on 19 March 2018. Subsequently, the Company has granted 42,000,000 share options to several grantees.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2018, the following shareholders (including Directors) had interests or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company pursuant to Section 336 of the Securities and Futures Ordinance (the "SFO"), were as follows:

Number of ordinary shares and underlying shares beneficially held

Name	Capacity	*Notes*	Number of shares	Long/short position	Percentage of issued share capital
Mr. Dong	Beneficial owner		287,549,682	Long	23.61%
	A concert party to an agreement to buy shares described in S.317 (1)(a) of the SFO	*1*	431,324,523	Long	35.42%
			718,874,205		59.03%
Mr. Chau Cheok Wa ("Mr. Chau")	Beneficial owner		143,774,841	Long	11.81%
	A concert party to an agreement to buy shares described in S.317 (1)(a) of the SFO	*1*	575,099,364	Long	47.22%
			718,874,205		59.03%
Mr. Cheng Ting Kong ("Mr. Cheng")	Interest of controlled corporation	*2*	287,549,682	Long	23.61%
	A concert party to an agreement to buy shares described in S.317 (1)(a) of the SFO	*1*	431,324,523	Long	35.42%
			718,874,205		59.03%
Simple Cheer Limited	Beneficial owner	*2*	287,549,682	Long	23.61%
New Brilliant Investments Limited	Beneficial owner	*3*	149,472,498	Long	12.27%
Mr. Chui Bing Sun ("Mr. Chui")	Beneficial owner	*3*	1,800	Long	0.00%
	Interest of controlled corporation	*3*	149,472,498	Long	12.27%
			149,474,298		12.27%
Mr. Chan Ping Che	Beneficial owner		97,390,000	Long	8.00%

Notes:

1. Mr. Dong, Mr. Cheng and Mr. Chau are parties acting in concert in respect of the Company pursuant to a deed in relation to parties acting in concert dated 23 January 2018.

2. Simple Cheer Limited is incorporated in the British Virgin Islands and is wholly and beneficially owned by Mr. Cheng.

3. New Brilliant Investments Limited is incorporated in the British Virgin Islands. It is wholly and beneficially owned by Mr. Chui. He is also holding 1,800 shares as beneficial owner. He was a former executive Director, the former chairman and the former chief executive officer of the Company who resigned with effect from 19 March 2018.

Save as disclosed above, as at 31 December 2018, the Directors were not aware of any other person who had an interest or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company pursuant to Section 336 of the SFO, or who had interests of 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2018, the aggregate sales attributable to the Group's five largest customers accounted for less than 30% of the Group's total sales and the aggregate purchases from the Group's five largest suppliers accounted for less than 30% of the Group's total purchases.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the options holdings disclosed above, at no time during the year ended 31 December 2018 was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 34 to the consolidated financial statement, no contract of significance, to which the Company, its holding company, fellow subsidiaries or subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2018 or at any time during the year.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2018, the Group has not entered into any transactions which need to be disclosed as connected transactions or continuing connected transactions pursuant to Chapter 20 of the GEM Listing Rules. Details of other material related party transactions are set out in note 34 to the consolidated financial statements.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes are set out in note 2.4 to the consolidated financial statements.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the year ended 31 December 2018.

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

Mr. Dong Choi Chi, Alex ("Mr. Dong"), an executive Director of the Company, is the sole owner and director of Sun Entertainment Holdings Limited, which together with its subsidiaries, including Sun Entertainment Culture Limited, are principally engaged in investment holding, artiste and model management, entertainment, sports, publishing and film and concert production and coordination. He is also an ultimate beneficial owner and a director of Sun Motion (Hong Kong) Limited, which is also engaged in investment holding, artiste and model management, entertainment, sports, publishing and film and concert production and coordination. He is also a substantial shareholder and director of Sun Entertainment Concert Group Holdings Limited, which together with its subsidiaries are principally engaged in concert investment, production and coordination. He is also a substantial shareholder and a director of Sun Entertainment Film Group Holdings Limited, which together with its subsidiaries are principally engaged in film investment and production. Mr. Dong is also one of the ultimate beneficial owners and a director of Sun Asia Group Limited, which together with its subsidiaries are principally engaged in the media and entertainment related investment and production in Macau. Therefore, he is considered to have interest in the business which competes or is likely to compete, either directly or indirectly, with the new businesses of the Group in the media and entertainment industry (as would be required to be disclosed under Rule 11.04 of the GEM Listing Rules).

Mr. Chong Cho Lam, an executive Director of the Company, is a substantial shareholder and the managing director of Chessman Entertainment Production Company Limited, which is principally engaged in concert co-ordination and production, advertising design and market planning, original music, record production and distribution, public relations and artiste management in Macau. He is a substantial shareholder and director of Chessman Entertainment Production (HK) Limited, which is engaged in advertising production, project planning consultation, design, publishing, entertainment production and promotion. He is also a substantial shareholder and director of Chessman Management and Investment Company Limited, which is engaged in entertainment related investments and management in Macau. He is also a substantial shareholder of Good Media Production Company Limited which is engaged in film production and filming, music production, advertising production, original music, web design, publication publishing and media in Macau. He is also a substantial shareholder of Easy Music Production Company Limited which is engaged in record distribution, artiste management, music producer management, band management, musician management, concert production and music production in Macau. Therefore, he is considered to have interest in the business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group in the media and entertainment industry (as would be required to be disclosed under Rule 11.04 of the GEM Listing Rules).

Save as disclosed above, the Directors are not aware of any business or interest of each of the Directors, management shareholders (as defined in the GEM Listing Rules) and their respective associates that competes or may compete with business of the Group or any other conflicts of interest which any such person has or may have with the Group during the year ended 31 December 2018.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management having regard to the Group's operating results, individual performance and comparable market practices.

The Company has adopted a share options scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 27 to the consolidated financial statements.

COMMITMENTS

Details of operating leases commitments and other commitments are set out in notes 32 and 33, respectively to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

As disclosed in the announcement (the "Joint Announcement") dated 19 March 2018 jointly issued by the Company and Heading Champion Limited (the "Offeror"), immediately after the close of the conditional voluntary cash offers (the "Offers") by Sun International Securities Limited for and on behalf of Heading Champion Limited for all the issued shares of the Company (other than those already owned by it and the parties acting in concert with it) and for the cancellation of all the outstanding options of the Company, subject to the due registration of the transfer of the Shares, a total of 283,591,260 Shares, representing approximately 24.49% of the total issued share capital of the Company as at the date of the Joint Announcement, would be held by the public (within the meaning of the GEM Listing Rules). Accordingly, the minimum public float requirement of 25% as set out under Rule 11.23(7) of the GEM Listing Rules was not satisfied after the close of the Offers.

The Company has made an application to the Exchange for and the Exchange has granted, a temporary waiver from strict compliance with Rule 11.23(7) of the GEM Listing Rules for a period starting from 19 March 2018 up to and including 13 April 2018 (i.e. 10 Business Days after 27 March 2018, being the last day of the black-out period (the "Black-out Period") in respect of the results of the Company for the year ended 31 December 2017) to allow the Offeror a reasonable time to restore the public float of the Company. On 6 April 2018, the public float of the Company was restored upon disposal of 5,858,244 shares by the Offeror.

Save as disclosed above, the Company maintained the allowable lower minimum prescribed public float under the GEM Listing Rules and shall comply with the public float requirement under Rule 11.23 of the GEM Listing Rules as stipulated under Rule 17.38A of the GEM Listing Rules.

DONATIONS

During the year ended 31 December 2018, the Group made charitable and other donations amounting to approximately HK$139,000 (31 December 2017: HK$264,000).

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2018 and 31 December 2017 have been audited by Ernst & Young ("EY"). EY shall retire in the forthcoming AGM and, being eligible, offer themselves for re-appointment. A resolution for the reappointment of EY as auditor of the Company will be proposed at the 2019 AGM. The Company has not changed its external auditor during the year ended 31 December 2018 and up to the date of this annual report.

On 5 June 2017, PricewaterhouseCoopers informed the Board that its decision not to stand for re-appointment as auditors of the Company at the annual general meeting of the Company held on 16 June 2017. Subsequently, Ernst & Young was appointed as auditor of the Company on 4 October 2017 to fill the casual vacancy following the resignation of PwC.

On behalf of the Board

Dong Choi Chi, Alex
Executive Director

27 March 2019

Independent Auditor's Report

To the shareholders of Sage International Group Limited
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Sage International Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 56 to 159, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of an intangible asset with indefinite useful life	
The Group had an intangible asset at 31 December 2018 with indefinite useful life representing operating rights in relation to certain cremation business with a carrying amount of approximately HK$9,162,000 (the "Intangible Asset"). An intangible asset with indefinite useful life is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit ("CGU") to which the Intangible Asset relates and whether the recoverable amount of the CGU is less than the carrying amount. For the year under review, the recoverable amount of the CGU has been determined based on a value in use calculation using cash flow projections specific to the CGU and applying a discount rate which reflects specific risks relating to the CGU. The impairment testing of the Intangible Asset required management to make certain assumptions and estimates that would affect the reported amount of the Intangible Asset and related disclosures in the consolidated financial statements. We focused on this area due to the magnitude of the balance involved and the significant management estimation required based on the expected future development of the CGU. The significant accounting judgements and estimates and the related disclosures about impairment testing of the Intangible Asset are included in notes 3 and 14 to the consolidated financial statements.	We have evaluated management's impairment assessment of the Intangible Asset. The key audit procedures we performed on evaluating the methodologies, assumptions and estimates used in the impairment assessment included, among others, the following: • we assessed the key assumptions used in management's cash flow projections, including, among others, budgeted/forecasted revenue and results of operations, long term growth rate and discount rate applicable to the CGU, taking into consideration the historical accuracy of the prior year's assumptions and estimates made by management; • we obtained an understanding of the current and expected future developments of the CGU and factors that might affect key assumptions and estimates of the cash flow projections and discount rate applicable to the CGU; • we involved our internal valuation specialists to assist us in evaluating the methodologies used and certain key assumptions and estimates made by management, including, among others, the specific discount rate and long term growth rate, with reference to relevant historical/market information; • we evaluated management's assessment about reasonable possible changes in relevant key assumptions and estimates; and • we evaluated the adequacy of related disclosures in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Yat Fai, Peter.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

27 March 2019

Consolidated Statement of Profit or Loss

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
REVENUE	5	**155,678**	94,497
Cost of sales		**(106,056)**	(62,643)
Gross profit		**49,622**	31,854
Other income and gains	5	**1,672**	5,277
Selling, marketing and distribution expenses		**(11,718)**	(7,168)
General and administrative expenses		**(31,527)**	(24,820)
Other expenses		**(16,632)**	(23,651)
Finance costs	7	**(170)**	–
LOSS BEFORE TAX	6	**(8,753)**	(18,508)
Income tax expense	10	**(1,961)**	(1,401)
LOSS FOR THE YEAR		**(10,714)**	(19,909)
Attributable to:			
Owners of the Company		**(8,260)**	(19,641)
Non-controlling interests		**(2,454)**	(268)
		(10,714)	(19,909)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic and diluted (HK cents)		**(0.7)**	(1.9)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
LOSS FOR THE YEAR	**(10,714)**	(19,909)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(1,228)**	790
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(11,942)**	(19,119)
Attributable to:		
Owners of the Company	**(9,196)**	(19,108)
Non-controlling interests	**(2,746)**	(11)
	(11,942)	(19,119)

Consolidated Statement of Financial Position

31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**15,549**	17,887
Intangible assets	14	**13,636**	11,413
Investment in a film right	15	**7,769**	7,769
Deposits	20	**447**	108
Total non-current assets		**37,401**	37,177
CURRENT ASSETS			
Inventories	17	**117**	57
Film and drama under production	19	**5,505**	4,759
Investments in concert and film production projects	16	**24,139**	34,386
Trade receivables	18	**19,862**	857
Prepayments, other receivables and other assets	20	**14,003**	8,946
Cash and cash equivalents	21	**37,972**	28,977
Total current assets		**101,598**	77,982
CURRENT LIABILITIES			
Trade payables, other payables and accruals	22	**11,585**	5,699
Deferred income	24	**501**	1,229
Other borrowing	23	**2,960**	–
Tax payable		**9,640**	7,916
Total current liabilities		**24,686**	14,844
NET CURRENT ASSETS		**76,912**	63,138
TOTAL ASSETS LESS CURRENT LIABILITIES		**114,313**	100,315

	Notes	**2018 HK$'000**	2017 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**114,313**	100,315
NON-CURRENT LIABILITIES			
Deferred income	24	**2,853**	3,608
Deferred tax liabilities	25	**2,291**	2,416
Total non-current liabilities		**5,144**	6,024
Net assets		**109,169**	94,291
EQUITY			
Equity attributable to owners of the Company			
Issued capital	26	**30,445**	28,945
Reserves	28	**74,609**	58,485
		105,054	87,430
Non-controlling interests		**4,115**	6,861
Total equity		**109,169**	94,291

Chong Cho Lam
Director

Dong Choi Chi, Alex
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2018

		Attributable to owners of the Company								
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Exchange fluctuation reserve HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2017		20,715	255,269	31,713	186	14,775	(281,169)	41,489	6,872	48,361
Loss for the year		–	–	–	–	–	(19,641)	(19,641)	(268)	(19,909)
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations		–	–	–	533	–	–	533	257	790
Total comprehensive income/(loss) for the year		–	–	–	533	–	(19,641)	(19,108)	(11)	(19,119)
Issue of shares upon placement	26	4,125	22,275	–	–	–	–	26,400	–	26,400
Share issue expenses	26	–	(844)	–	–	–	–	(844)	–	(844)
Equity-settled share option arrangements	27	–	–	–	–	579	–	579	–	579
Other equity-settled share-based payment transactions	26	4,105	34,809	–	–	–	–	38,914	–	38,914
At 31 December 2017		28,945	311,509*	31,713*	719*	15,354*	(300,810)*	87,430	6,861	94,291
At 31 December 2017		28,945	311,509	31,713	719	15,354	(300,810)	87,430	6,861	94,291
Effect of adoption of HKFRS 9	2.2	–	–	–	–	–	(152)	(152)	–	(152)
At 1 January 2018 (restated)		28,945	311,509	31,713	719	15,354	(300,962)	87,278	6,861	94,139
Loss for the year		–	–	–	–	–	(8,260)	(8,260)	(2,454)	(10,714)
Other comprehensive loss for the year:										
Exchange differences on translation of foreign operations		–	–	–	(936)	–	–	(936)	(292)	(1,228)
Total comprehensive loss for the year		–	–	–	(936)	–	(8,260)	(9,196)	(2,746)	(11,942)
Issue of shares upon placement	26	1,500	18,300	–	–	–	–	19,800	–	19,800
Share issue expenses	26	–	(621)	–	–	–	–	(621)	–	(621)
Equity-settled share option arrangements	27	–	–	–	–	7,793	–	7,793	–	7,793
Transfer of share-based payment reserve upon the cancellation/expiry of share options	27	–	–	–	–	(15,877)	15,877	–	–	–
At 31 December 2018		**30,445**	**329,188***	**31,713***	**(217)***	**7,270***	**(293,345)***	**105,054**	**4,115**	**109,169**

* These reserve accounts comprise the consolidated reserves of HK$74,609,000 (2017: HK$58,485,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(8,753)**	(18,508)
Adjustments for:			
Gain on disposal of a subsidiary	5	**–**	(2,659)
Gain on investments in media and entertainment related projects	5	**–**	(2,099)
Amortisation of deferred income of a government grant	6	**(522)**	(424)
Depreciation	6	**3,423**	3,232
Amortisation of an intangible asset	6	**174**	–
Impairment of trade receivables	6	**69**	–
Impairment of other receivables	6	**179**	145
(Gain)/loss on disposal of items of property, plant and equipment	6	**(30)**	11
Reversal of impairment of an intangible asset	6	**(670)**	(250)
Equity-settled share option expense	6	**7,793**	579
Other equity-settled share-based payment expense	6	**–**	12,202
Finance costs	7	**170**	–
		1,833	(7,771)
Increase in inventories		**(60)**	(53)
(Increase)/decrease in trade receivables		**(19,074)**	972
Increase in prepayments, other receivables and other assets		**(5,727)**	(8,404)
Increase in film and drama under production		**(746)**	(4,759)
Decrease in investments in concert and film production projects, net		**10,247**	–
(Decrease)/increase in trade payables, other payables and accruals		**5,826**	(134)
(Decrease)/increase in deferred income		**(770)**	2,290
Cash used in operations		**(8,471)**	(17,859)
Overseas taxes paid		**(234)**	(188)
Net cash flows used in operating activities		**(8,705)**	(18,047)

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of an intangible asset		**(2,228)**	–
Proceeds from disposal of items of property, plant and equipment		**50**	–
Purchases of items of property, plant and equipment		**(1,717)**	(1,991)
Disposal of a subsidiary	30	**–**	2,836
Settlement of other investments		**–**	3,254
Increase in investments in concert and film production projects		**–**	(5,575)
Net cash flows used in investing activities		**(3,895)**	(1,476)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	26	**19,800**	26,400
Share issue expenses		**(621)**	(844)
New other borrowings		**6,760**	–
Repayment of other borrowing		**(3,800)**	–
Interest paid		**(110)**	–
Net cash flows generated from financing activities		**22,029**	25,556
NET INCREASE IN CASH AND CASH EQUIVALENTS		**9,429**	6,033
Cash and cash equivalents at beginning of year		**28,977**	22,615
Effects of foreign exchange rate changes, net		**(434)**	329
CASH AND CASH EQUIVALENTS AT END OF YEAR		**37,972**	28,977
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**37,972**	28,977

1. CORPORATE AND GROUP INFORMATION

Sage International Group Limited (the "Company") was incorporated in the Cayman Islands on 12 July 2001 and continued in Bermuda as an exempted company with limited liability under the laws of Bermuda.

The Company's shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is located at 10th Floor, Fun Tower, 35 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

During the year, the Group was involved in the following principal activities:

- provision of funeral and cremation services and deathcare related business; and
- investment in and production/organisation of films and concerts and other media and entertainment related businesses.

Starting from the current year, the Group has expanded its ordinary activities to include the investments in film and concert production projects.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company 2018	2017	Principal activities
Black Sesame Entertainment Co. Limited ("Black Sesame")	Hong Kong	HK$10,001,001	**70**	70	Production of dramas and musical performances, artiste management and performance, and music intellectual property rights management
Black Sesame Entertainment (Beijing) Co. Limited ("Black Sesame (Beijing)") 黑芝麻娛樂文化(北京)有限公司 (i), (ii) & (iv)	People's Republic of China (the "PRC")/ Mainland China	US$1,400,000	**70**	70	Production of dramas and musical performances, artiste management and performance, and music intellectual property rights management
Grand Rich (Asia) Company Limited	Hong Kong	HK$100	**100**	100	Holding of a club membership
Luck Point Investments Limited	British Virgin Islands	US$200	**100**	100	Investment holding
Sage Dignity Services Limited	Hong Kong	HK$100	**100**	100	Provision of administrative services
Sage Funeral Services Limited	Hong Kong	HK$17	**100**	100	Operation of funeral business
Sun Entertainment Asia Limited	Hong Kong	HK$1	**100**	100	Investments in concert projects

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Particulars of the Company's principal subsidiaries are as follows: *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company 2018	2017	Principal activities
Sun Motion Pictures Limited	Hong Kong	HK$1	**100**	100	Production of online dramas
Sunny Side up (BVI) Limited	British Virgin Islands	US$100	**100**	100	Investment holding and investment in film production project
Sunny Side up (Never) Limited	Hong Kong	HK$100	**100**	100	Investments in concert and film production projects
Luz Limited	Hong Kong	HK$100	**100**	100	Production of films
Huai Ji Luck Mountain Funeral Parlor Limited ("Huai Ji") 懷集萬福山殯儀館有限公司 (i), (ii), (iii) & (iv)	PRC/Mainland China	RMB10,500,000	**100**	100	Operation of cremation and funeral business

Notes:

(i) Their statutory financial statements were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

(ii) Registered as a wholly-foreign-owned enterprise under PRC law.

(iii) Luck Point Investments Limited, a holding company of Huai Ji, is entitled to a profit sharing ratio of 70% of the results of Huai Ji.

(iv) English name is for identification purposes only.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

They have been prepared under the historical cost convention, except for an investment in a film right, investments in concert and film production projects and financial liabilities at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (a) the fair value of the consideration received, (b) the fair value of any investment retained and (c) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits/accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

HKFRS 9 *Financial Instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

HKFRS 9 *Financial Instruments* *(Continued)*

Classification and measurement *(Continued)*

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

		HKAS 39 measurement				HKFRS 9 measurement	
	Notes	Category	Amount	Re-classification	ECL	Amount	Category
			HK$'000	HK$'000	HK$'000	HK$'000	
Financial assets							
Avaliable-for-sale included in investment in a film right	(i)	AFS[1]	7,769	(7,769)	–	–	N/A
Financial asset at fair value through profit or loss included in investment in a film right	(i)	N/A	–	7,769	–	7,769	FVPL[2]
Trade receivables		L&R[3]	857	–	–	857	AC[4]
Financial assets included in prepayments, other receivables and other assets		L&R	1,632	–	(152)	1,480	AC
Investments in concert and film production projects		FVPL	34,386	–	–	34,386	FVPL
Cash and cash equivalents		L&R	28,977	–	–	28,977	AC
			73,621	–	(152)	73,469	
Financial liabilities							
Trade payables		AC	339	–	–	339	AC
Financial liabilities included in other payables and accruals	(ii)	AC	1,495	–	–	1,495	AC
			1,834	–	–	1,834	

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

HKFRS 9 *Financial Instruments* (Continued)

Classification and measurement (Continued)

[1] AFS: Available-for-sale investments

[2] FVPL: Financial assets at fair value through profit or loss

[3] L&R: Loans and receivables

[4] AC: Financial assets or financial liabilities at amortised cost

Notes:

(i) The Group has classified its investment in a film right previously classified as an available-for-sale investment as a financial asset measured at fair value through profit or loss as this investment did not pass the contractual cash flow characteristics test in HKFRS 9.

(ii) The gross carrying amount of financial liabilities included in other payables and accruals under the column "HKAS 39 measurement – Amount" represents the amount after adjustments for the adoption of HKFRS 15. Further details of the adjustments for the adoption of HKFRS 15 are included below.

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in notes 18 and 20 to the financial statements.

	Impairment allowances under HKAS 39 at 31 December 2017	Re-measurement	ECL allowances under HKFRS 9 at 1 January 2018
	HK$'000	HK$'000	HK$'000
Trade receivables	–	–	–
Financial assets included in prepayments, other receivables and other assets	5,796	152	5,948
	5,796	152	5,948

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

HKFRS 9 *Financial Instruments* *(Continued)*

Impact on accumulated losses

The impact of transition to HKFRS 9 on accumulated losses is as follows:

	Accumulated losses HK$'000
Accumulated losses	
Balance as at 31 December 2017 under HKAS 39	(300,810)
Recognition of expected credit losses for other receivables under HKFRS 9	(152)
Balance as at 1 January 2018 under HKFRS 9	(300,962)

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The relevant disclosures are included in note 5 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at that date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

No adjustment to the opening balance of accumulated losses of the Group as at 1 January 2018 is required for the cumulative effect of the initial application of HKFRS 15. The comparative information was not restated and continues to be reported under HKAS 18 and related interpretations.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

HKFRS 15 *Revenue from Contracts with Customers* (Continued)

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of HKFRS 15:

	Note	**Increase/ (decrease)** HK$'000
Liabilities		
Receipts in advance included in trade payables, other payables, and accruals	(i)	(357)
Contract liabilities included in trade payables, other payables and accruals	(i)	357

The adoption of HKFRS 15 has had no impact on the Group's loss for the year and other comprehensive loss for the year or on the Group's operating, investing and financing cash flows for the year. Set out below are the amounts by which each consolidated statement of financial position line item was affected as at 31 December 2018 as a result of the adoption of HKFRS 15. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Consolidated statement of financial position as at 31 December 2018:

		Amounts prepared under		
	Note	**HKFRS 15 HK$'000**	**Previous HKFRS HK$'000**	**Increase/ (decrease) HK$'000**
Receipts in advance included in trade payables, other payables and accruals	**(i)**	**–**	**2,856**	**(2,856)**
Contract liabilities included in trade payables, other payables and accruals	**(i)**	**2,856**	**–**	**2,856**

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

HKFRS 15 *Revenue from Contracts with Customers* (Continued)

The nature of the adjustments as at 1 January 2018 and the reason for the changes in the consolidated statement of financial position as at 31 December 2018 are described below:

Note:

(i) Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as receipts in advance which is included in trade payables, other payables and accruals. Under HKFRS 15, the amount is classified as contract liabilities which is included in trade payables, other payables and accruals.

Therefore, upon adoption of HKFRS 15, the Group reclassified HK$357,000 from receipts in advance to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under HKFRS 15, HK$2,856,000 was reclassified from receipts in advance to contract liabilities in relation to the consideration received from customers in advance for the provision of services.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

The Group is still in process of assessing the impact of the above new and revised HKFRSs, further information about those HKFRSs that are currently expected to be applicable to the Group is described below.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of accumulated losses at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a high-level assessment on the impact of adoption of HKFRS 16. As disclosed in note 32 to the financial statements, at 31 December 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$3,826,000. The Group currently is still assessing whether, upon adoption of HKFRS 16, certain amounts included therein will need to be recognised as new right right-of-use assets and lease liabilities. Further detailed analysis, however, will be needed to determine the amount of new right-of-use assets and lease liabilities to be recognised, including, but not limited to any amounts relating to leases of low value assets and short term leases, other practical expedients and reliefs chosen.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The Group currently is still assessing whether the amendments will have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The Group currently is still assessing whether the interpretation will have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Group measures its investment in a film right, investments in concert and film production projects, and financial liabilities at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets *(Continued)*

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(b) *(Continued)*

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	$3^1/_3$% – 10%
Leasehold improvements	20%
Machinery	5% – 10%
Furniture and equipment	20% – $33^1/_3$%
Motor vehicles	10% – $33^1/_3$%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Operating rights

Separately acquired operating rights are shown at historical cost. Operating rights acquired in a business combination are recognised at fair value at the acquisition date. Operating rights with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such operating rights are not amortised. The useful life of an operating right with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to the supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Club membership

Club membership with indefinite useful life is stated at cost less accumulated impairment losses, if any. Club membership which is intended to be held on a continuing basis is classified as a non-current asset.

Licence right

Purchased licence right is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 10 years.

Film and drama under production

Film and drama under production, include film and drama in development, pre-production and production in the creation of film or drama, are accounted for on a project-by-project basis and are stated at cost less any impairment losses. Upon completion and release, these film and drama under production are reclassified as film and drama products.

An impairment loss is made if there has been a change in the estimates used to determine the recoverable amount and the carrying amount exceeds the recoverable amount.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets of the Group are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(Continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(Continued)*

Subsequent measurement *(Continued)*

Financial assets at fair value through profit or loss (Continued)

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial assets (including in investment in a film right and investments in concert and film production projects) are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018) *(Continued)*

Initial recognition and measurement *(Continued)*

Financial assets at fair value through profit or loss (Continued)

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value included in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

If the Group is required by HKAS 39 to separate an embedded derivative from its host contract, but is unable to measure the embedded derivative separately either at acquisition or at the end of a subsequent financial reporting period, it shall designate the entire hybrid (combined) contract as at fair value through profit or loss.

If the Group is unable to measure reliably the fair value of an embedded derivative on the basis of its terms and conditions (for example, because the embedded derivative is based on an equity instrument that does not have a quoted price in an active market for an identical instrument, i.e., a Level 1 input), the fair value of the embedded derivative is the difference between the fair value of the hybrid (combined) instrument and the fair value of the host contract. If the Group is unable to measure the fair value of the embedded derivative using this method, the hybrid (combined) instrument is designated as at fair value through profit or loss.

Loan and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018) *(Continued)*

Initial recognition and measurement *(Continued)*

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(Continued)*

General approach *(Continued)*

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(Continued)*

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018) *(Continued)*

Financial assets carried at amortised cost (Continued)

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For investment in a film right, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investment is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018) *(Continued)*

Available-for-sale financial investments *(Continued)*

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial liabilities of the Group are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, and payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, and payables, net of directly attributable transaction costs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) *(Continued)*

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss (policies under HKFRS 9 applicable from 1 January 2018)

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at fair value through profit or loss (policies under HKAS 39 applicable before 1 January 2018)

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) *(Continued)*

Subsequent measurement *(Continued)*

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the statement of profit or loss.

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit and loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

- *Sale of goods (including sale of eternity gem products)*

  Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (applicable from 1 January 2018) *(Continued)*

Revenue from contracts with customers *(Continued)*

- *Cremation and funeral services*

  The Group provides cremation/funeral services that are either sold separately or bundled together with the sale of cremation/funeral related products to a customer. The cremation/funeral services can be obtained from other providers and do not significantly customise or modify the funeral related products.

  Contracts for bundled sales of funeral related products and cremation/funeral services are comprised of two performance obligations because the promises to transfer the funeral related products and to provide cremation/funeral services are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated based on the relative standalone selling prices of the funeral related products and cremation/funeral services.

  Revenue from cremation/funeral services is recognised over time, using an output method to measure the Group's progress towards complete satisfaction of the relevant services, because the customer simultaneously receives and consumes the benefits provided by the Group, as the Group perform. The output method recognises revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract.

- *Concert and musical organisation*

  Revenue from the organisation of concerts and musical performances is recognised over the period when the relevant concerts and musical performances are held by the Group and the customers simultaneously receive and consume the benefits provided by the Group's performance over the duration of the relevant concerts and musical performance.

- *Sponsorship income*

  Sponsorship income is recognised over the relevant sponsorship period, using an output method to measure the Group's progress towards complete satisfaction of the relevant obligation, because the customer simultaneously receives and consumes the benefits provided by the Group, as the Group perform. The output method recognises revenues on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract.

- *Artiste management and performance services*

  Revenue from the provision of artiste management, artiste performance and other related services for certain event is recognised over the period when the relevant event or activity occurs and the customer simultaneously receives and consumes the benefits provided by the Group, over the period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (applicable from 1 January 2018) *(Continued)*

Revenue from other sources

- Cremation services income subsidised by government is recognised when the relevant services are rendered and there are no unfulfilled condition or contingencies relating to the subsidies.

- Investments in concert and film production projects are measured at fair value through profit or loss with gain or loss arising from net changes in fair value of such financial instruments recognised as revenue from other sources in the statement of profit or loss.

Revenue recognition (applicable before 1 January 2018)

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- cremation, funeral arrangement and funeral services income, when the relevant services are rendered;

- management service income from managing cemeteries, on a time proportion basis over the term of the arrangement;

- the sale of goods (including sale of eternity gem products), when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

- artiste performance, artiste management and other related income, when the relevant services are rendered;

- entertainment events income, when the events are completed; and

- interest income, on an accrual basis, using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue from contract with customers when the Group performs under the contract.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial option pricing model, further details of which are given in note 27 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification, that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Income taxes

Significant judgement is involved in determining the provision for income taxes. Determining income tax provisions involves judgements on the future tax treatments of certain transactions and interpretation of relevant tax legislation, interpretations and practices in respect thereof. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation, interpretations and practices in respect thereof.

Determining the timing of satisfaction of performance obligation

As further detailed in note 2.4 to the financial statements, the Group concluded that revenue for certain services is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group as the Group performs.

The directors of the Company consider that the output method, which recognises revenue on the basis of direct measurements of the value of services transferred to the customer to date relative to the remaining services promised under the contract, would reasonably depict the Group's performance towards complete satisfaction of the relevant performance obligation.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details in respect of property, plant and equipment and intangible assets are given in notes 13 and 14 to the financial statements, respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. As appropriate, the Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 18 to the financial statements.

Fair values of financial instruments at fair value through profit or loss

The directors of the Company use their judgement in selecting an appropriate valuation technique to determine the fair values of the investment in a film right, investments in concert and film production projects and financial liabilities at fair value through profit or loss of the Group. The fair value of these financial instruments are determined at the end of each reporting period with movements in fair value recognised in profit or loss. In estimating the fair values of these financial instruments, the fair values are arrived at based on, inter alia, various unobservable inputs, assumptions and estimates used in determining the expected future cash flows from such financial instruments.

Share options

The determination of the fair values of the share options granted requires significant judgements and estimates in determining the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate during the life of the share options, the expected life of the share options and the number of share options that are expected to vest. Where the outcome of the number of share options that are ultimately vested is different from the expectation, such difference will impact the profit or loss in the subsequent remaining vesting period of the relevant share options.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) the funeral services segment primarily engages in the provision of funeral and cremation services and deathcare related business; and

(b) the media and entertainment segment primarily engages in the investment in and production/organisation of films and concerts and other media and entertainment related businesses.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's loss before tax except that head office and corporate expenses are excluded from such measurement.

Segment assets exclude certain property, plant and equipment, club membership, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2018/At 31 December 2018

	Funeral services HK$'000	Media and entertainment HK$'000	Total HK$'000
Segment revenue (note 5)			
Sales to external customers	10,710	144,968	155,678
Segment results	(368)	8,032	7,664
Reconciliation:			
Corporate and other unallocated expenses, net			(16,247)
Finance costs			(170)
Loss before tax			(8,753)
Segment assets	24,580	86,079	110,659
Reconciliation:			
Corporate and other unallocated assets			28,340
Total assets			138,999
Segment liabilities	(7,226)	(12,537)	(19,763)
Reconciliation:			
Corporate and other unallocated liabilities			(10,067)
Total liabilities			(29,830)
Other segment information			
Depreciation and amortisation	1,631	393	2,024
Impairment of trade receivables	35	34	69
Impairment of other receivables	179	–	179
Gain on disposal of items of property, plant and equipment	30	–	30
Capital expenditure*	1,140	2,805	3,945

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2017/At 31 December 2017

	Funeral services HK$'000	Media and entertainment HK$'000	Total HK$'000
Segment revenue			
Sales to external customers	15,191	79,306	94,497
Segment results	3,358	1,513	4,871
Reconciliation:			
Corporate and other unallocated expenses, net			(23,379)
Loss before tax			(18,508)
Segment assets	26,815	67,391	94,206
Reconciliation:			
Corporate and other unallocated assets			20,953
Total assets			115,159
Segment liabilities	(8,346)	(2,267)	(10,613)
Reconciliation:			
Corporate and other unallocated liabilities			(10,255)
Total liabilities			(20,868)
Other segment information			
Depreciation	1,622	66	1,688
Gain on disposal of a subsidiary	2,659	–	2,659
Impairment of other receivables	145	–	145
Capital expenditure*	1,616	42	1,658

* Capital expenditure consists of additions to property, plant and equipment.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) *Revenue from external customers*

	2018 **HK$'000**	2017 HK$'000
Hong Kong	**15,788**	7,043
Macao	**127,032**	77,858
Mainland China	**12,858**	9,596
	155,678	94,497

The revenue information above is based on the locations where the relevant sales took place/underlying services were rendered.

(b) *Non-current assets*

	2018 **HK$'000**	2017 HK$'000
Hong Kong	**8,757**	7,819
Mainland China	**20,428**	21,481
	29,185	29,300

The non-current assets information above is based on the locations of the assets and excludes financial instruments.

Information about major customers

The Group did not have revenues from any single customer, which accounted for 10% or more of the total revenue of the Group for the year ended 31 December 2018 (2017: Nil).

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018 HK$'000 (under HKFRS 15)	2017 HK$'000 (under previous HKFRS)
Revenue from contracts with customers/Revenue		
Sale of goods and provision of cremation and funeral services	**5,295**	11,240**
Sales of eternity gem products	**–**	1,251
Rendering of management services	**–**	2,700
Entertainment event income	**142,019**	77,858
Artiste management and performance services income	**924**	698
Others	**–**	750
	148,238	94,497
Revenue from other sources		
Rendering of cremation services	**5,415***	
Gain on investments in concert projects	**2,025**	
	7,440	
	155,678	

* Being government subsidies received for the rendering of cremation services in certain location. There are no unfulfilled conditions or contingencies relating to these subsidies.

** Including government subsidies of HK$4,774,000 received for the rendering of cremation services in certain location. There are no unfulfilled conditions or contingencies relation to these subsidies.

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

Segments	Funeral services HK$'000	Media and entertainment HK$'000	Total HK$'000
Type of goods or services			
Sale of goods	573	–	573
Cremation and funeral services	4,722	–	4,722
Concert and musical organisation	–	135,527	135,527
Sponsorship	–	6,492	6,492
Artiste management and performance	–	924	924
Total revenue from contracts with customers	5,295	142,943	148,238
Geographical markets			
Hong Kong	260	13,957	14,217
Macao	–	126,578	126,578
Mainland China	5,035	2,408	7,443
Total revenue from contracts with customers	5,295	142,943	148,238
Timing of revenue recognition			
At a point in time	573	–	573
Services transferred over time	4,722	142,943	147,665
Total revenue from contracts with customers	5,295	142,943	148,238

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers *(Continued)*

(i) Disaggregated revenue information *(Continued)*

For the year ended 31 December 2018 *(Continued)*

Set out below is the reconciliation of the revenue from contracts with customers with amounts disclosed in the segment information:

Segments	Funeral services HK$'000	Media and entertainment HK$'000	Total HK$'000
Revenue from contracts with customers			
External customers	**5,295**	**142,943**	**148,238**

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period.

	2018 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Cremation and funeral services	**50**

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of funeral related products and payment is generally due within 30 days from delivery.

Cremation and funeral services

The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of services.

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers *(Continued)*

(ii) ***Performance obligations*** *(Continued)*

Concert and musical organisation

The performance obligation is satisfied over the period when the relevant concerts or musical performances are held by the Group and payments in advance by customers are normally required, while ticketing agencies and/or other relevant parties normally settle the corresponding amounts received by them attributable to the Group within 60 to 180 days.

Sponsorship income

The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of the relevant event/activity, where certain payments in advance are normally required, with the balance payable upon completion of the relevant event/activity.

Artiste management and performance services

The performance obligation is satisfied upon completion of relevant event or activity and payment is generally due within 30 to 60 days upon completion of services.

	2018 **HK$'000**	2017 HK$'000
Other income and gains		
Gain on disposal of a subsidiary	**–**	2,659
Gross rental income	**458**	31
Gain on investments in media and entertainment related projects	**–**	2,099
Gain on disposal of items of property, plant and equipment	**30**	–
Others	**1,184**	488
	1,672	5,277

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	2018 HK$'000	2017 HK$'000
Cost of inventories sold		**1,032**	850
Depreciation	13	**3,423**	3,232
Amortisation of an intangible asset^	14	**174**	–
Minimum lease payments under operating leases		**2,467**	2,422
Auditor's remuneration:			
Charge for the year		**2,380**	1,900
Underprovision in prior year		**–**	200
Employee benefit expense (including directors' and chief executive's remuneration (note 8):			
Wages, salaries, bonuses and allowances		**8,634**	10,110
Equity-settled share option expense		**3,471**	375
Pension scheme contributions (defined contribution schemes)#		**137**	235
		12,242	10,720
Equity-settled share option expense in respect of share options granted to consultants		**3,799**	204
Equity-settled share option expense in respect of share options cancelled during the year		**523**	–
(Gain)/loss on disposal of items of property, plant and equipment		**(30)**	11
Reversal of impairment of an intangible asset^	14	**(670)**	(250)
Impairment of trade receivables	18	**69**	–
Impairment of other receivables	20	**179**	145
Other equity-settled share-based payment expense*	31	**–**	12,202
Share of net income from entertainment event organised by the Group to co-investors*		**16,632**	11,449
Foreign exchange differences, net		**43**	109
Amortisation of deferred income of a government grant		**(522)**	(424)

At 31 December 2018, the Group had no material forfeited contributions available to reduce its contributions to the pension schemes in future years (2017: Nil).

^ Included in "General and administrative expenses" in the consolidated statement of profit or loss.

* Included in "Other expenses" in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 HK$'000	2017 HK$'000
Interest on other borrowings from certain companies, each beneficially owned by a director of the Company	170	–

Further details of the other borrowings and the terms of an other borrowing outstanding at the end of the reporting period are set out on page 62 and note 23 to the financial statements, respectively.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to The Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Hong Kong Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2018 HK$'000	2017 HK$'000
Fees	675	540
Other emoluments:		
Salaries and allowances	445	635
Equity-settled share option expense	1,899	52
Pension scheme contributions	11	32
	2,355	719
	3,030	1,259

During the year, a director was granted share options, in respect of his service to the Group, under the share option scheme of the Company, further details of which are set out in note 27 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2018 HK$'000	2017 HK$'000
Mr. Chan Wai Man	225	180
Mr. Siu Hi Lam, Alick	225	180
Mr. Ting Kit Lun	225	180
	675	540

There were no other emoluments payable to the independent non-executive directors during the year (2017: Nil).

(b) Executive directors and the chief executive

	Salaries and allowances HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2018				
Executive director, chairman and chief executive:				
Mr. Chui Bing Sun*	39	–	2	41
Executive directors:				
Mr. Dong Choi Chi, Alex	180	–	9	189
Mr. Chong Cho Lam	226	1,899	–	2,125
	445	1,899	11	2,355

* Resigned as an executive director, the Chairman of the Company and the Chief executive director of the Group with effect from 19 March 2018.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive directors and the chief executive *(Continued)*

	Salaries and allowances HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2017				
Executive director, chairman and chief executive:				
Mr. Chui Bing Sun	180	–	9	189
Executive directors:				
Mr. Dong Choi Chi, Alex	180	–	9	189
Mr. Yao Kan Shan	275	52	14	341
	635	52	32	719

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year did not include any director. Details of the remuneration for the year of the five (2017: five) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2018 HK$'000	2017 HK$'000
Salaries and allowances	**3,559**	4,889
Equity-settled share option expense	**208**	149
Pension scheme contributions	**77**	90
	3,844	5,128

9. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2018	2017
Nil to HK$1,000,000	**4**	3
HK$1,000,001 to HK$1,500,000	**1**	2
	5	5

During the year, no emolument was paid or payable by the Group to the non-director and non-chief executive highest paid employees as an inducement to join or upon joining the Group or as compensation for the loss of office (2017: Nil).

During the year and in prior year, share options were granted to certain non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 27 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year and prior year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2018	2017
	HK$'000	HK$'000
Current – Hong Kong		
Charge for the year	**1,881**	1,009
Overprovision in prior years	**(69)**	–
Current – Elsewhere		
Charge for the year	**106**	109
Underprovision in prior years	**43**	283
Total tax charge for the year	**1,961**	1,401

10. INCOME TAX *(Continued)*

A reconciliation of the tax credit applicable to loss before tax at the statutory tax rate for Hong Kong, in which the principal place of business of the Company and some of its major subsidiaries is located, to the tax charge at the effective tax rate is as follows:

	2018 **HK$'000**	2017 HK$'000
Loss before tax	**(8,753)**	(18,508)
Tax credit at the Hong Kong statutory tax rate of 16.5% (2017: 16.5%)	**(1,444)**	(3,054)
Higher tax rate for specific locations or enacted by local authority	**318**	2,845
Adjustments in respect of current tax of previous periods	**(26)**	283
Income not subject to tax	**(116)**	(582)
Expenses not deductible for tax	**1,129**	486
Tax losses utilised from previous periods	**(35)**	–
Tax losses not recognised	**1,948**	1,645
Others	**187**	(222)
Tax charge at the Group's effective rate	**1,961**	1,401

11. DIVIDEND

The board of directors of the Company does not recommend the payment of any dividend in respect of the year (2017: Nil).

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares of approximately 1,161,250,000 (2017: 1,028,512,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2018 and 2017 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2018						
At 31 December 2017 and at 1 January 2018:						
Cost	11,159	5,024	4,332	2,208	6,004	28,727
Accumulated depreciation and impairment	(5,204)	(975)	(1,285)	(534)	(2,842)	(10,840)
Net carrying amount	5,955	4,049	3,047	1,674	3,162	17,887
At 1 January 2018, net of accumulated depreciation and impairment	5,955	4,049	3,047	1,674	3,162	17,887
Additions	503	401	671	142	–	1,717
Disposal	–	–	–	–	(20)	(20)
Depreciation provided during the year	(430)	(1,076)	(430)	(437)	(1,050)	(3,423)
Exchange realignment	(322)	(76)	(172)	(11)	(31)	(612)
At 31 December 2018, net of accumulated depreciation and impairment	5,706	3,298	3,116	1,368	2,061	15,549
At 31 December 2018:						
Cost	10,987	5,307	4,740	2,330	4,774	28,138
Accumulated depreciation and impairment	(5,281)	(2,009)	(1,624)	(962)	(2,713)	(12,589)
Net carrying amount	5,706	3,298	3,116	1,368	2,061	15,549

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings HK$'000	Leasehold improvements HK$'000	Machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2017						
At 1 January 2017:						
Cost	10,227	4,732	3,922	2,260	5,327	26,468
Accumulated depreciation and impairment	(4,395)	(101)	(1,529)	(168)	(1,653)	(7,846)
Net carrying amount	5,832	4,631	2,393	2,092	3,674	18,622
At 1 January 2017, net of accumulated depreciation and impairment	5,832	4,631	2,393	2,092	3,674	18,622
Additions	45	324	933	68	621	1,991
Disposals	–	–	–	(11)	–	(11)
Disposal of a subsidiary (note 30)	–	(96)	(80)	(62)	–	(238)
Depreciation provided during the year	(366)	(935)	(337)	(424)	(1,170)	(3,232)
Exchange realignment	444	125	138	11	37	755
At 31 December 2017, net of accumulated depreciation and impairment	5,955	4,049	3,047	1,674	3,162	17,887
At 31 December 2017:						
Cost	11,159	5,024	4,332	2,208	6,004	28,727
Accumulated depreciation and impairment	(5,204)	(975)	(1,285)	(534)	(2,842)	(10,840)
Net carrying amount	5,955	4,049	3,047	1,674	3,162	17,887

14. INTANGIBLE ASSETS

	Licence right HK$'000	Operating rights HK$'000	Club membership HK$'000	Total HK$'000
31 December 2018				
Cost at 1 January 2018, net of accumulated impairment	–	9,663	1,750	11,413
Addition – acquired separately	2,228	–	–	2,228
Amortisation provided during the year	(174)	–	–	(174)
Reversal of impairment during the year	–	–	670	670
Exchange realignment	–	(501)	–	(501)
At 31 December 2018	**2,054**	**9,162**	**2,420**	**13,636**
At 31 December 2018:				
Cost	**2,228**	**9,162**	**2,900**	**14,290**
Accumulated amortisation and impairment	**(174)**	**–**	**(480)**	**(654)**
Net carrying amount	**2,054**	**9,162**	**2,420**	**13,636**
31 December 2017				
At 1 January 2017:				
Cost	–	8,986	2,900	11,886
Accumulated impairment	–	–	(1,400)	(1,400)
Net carrying amount	–	8,986	1,500	10,486
Cost at 1 January 2017, net of accumulated impairment	–	8,986	1,500	10,486
Reversal of impairment during the year	–	–	250	250
Exchange realignment	–	677	–	677
At 31 December 2017	–	9,663	1,750	11,413
At 31 December 2017 and at 1 January 2018:				
Cost	–	9,663	2,900	12,563
Accumulated impairment	–	–	(1,150)	(1,150)
Net carrying amount	–	9,663	1,750	11,413

14. INTANGIBLE ASSETS *(Continued)*

Impairment testing of intangible assets with indefinite useful lives

The impairment testing compares the carrying amount of an individual intangible asset or the cash-generating unit to which an intangible asset belongs with its recoverable amount as determined based on a value-in-use calculation, with the exception of a club membership whose recoverable amount was determined using fair value less costs of disposal based on quoted market prices (Level 1 within the fair value hierarchy less incremental costs for disposing of the asset).

During the current year, a reversal of impairment of HK$670,000 was recognised for a club membership, as the recoverable amount thereof was higher than its net carrying amount of HK$1,750,000 (before reversing the impairment loss) as at 31 December 2018 (note 6).

During the prior year, a reversal of impairment of HK$250,000 was recognised for the club membership, as the then recoverable amount thereof was higher than its net carrying amount of HK$1,500,000 (before reversing the impairment loss) as at 31 December 2017 (note 6).

Operating rights

The recoverable amount of the cash-generating unit (the "CGU") to which the operating rights belong in relation to certain cremation business of the Group has been determined based on a value in use calculation using cash flow projections based on financial budget/forecasts covering a five-year period approved by management. The discount rate applied to the cash flow projections is 14% (2017: 14%). The growth rate used to extrapolate the cash flows beyond the five-year period is 3% (2017: 3%).

Assumptions were used in the value in use calculation of the recoverable amount of the CGU for 31 December 2017 and 31 December 2018. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing:

Budgeted/forecasted revenue and results of operations – The basis used to determine the value assigned to the budgeted/forecasted revenue and results of operations is the revenue and results of operations achieved in the year immediately before the budget/forecast year, adjusted for, among others, expected market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the CGU.

15. INVESTMENT IN A FILM RIGHT

	2018 **HK$'000**	2017 HK$'000
Investment in a film right	**7,769**	7,769

During the year ended 31 December 2016, the Group entered into an investment agreement to invest in the development/production of a motion picture film for a cash consideration of US$1 million, which entitles the Group to certain rights in connection with the investment, production and revenues of the film. Pursuant to the investment agreement, the Group is entitled to, among others, the right to recoup its investment amount and to share certain revenues of the film attributable to the Group in accordance with the terms of the investment agreement. At 31 December 2018, the film was still under development and the Group considers the carrying amount of the investment appropriates its fair value at the end of the reporting period. The Group does not intend to dispose of the investment in the near future.

At 31 December 2018, the Group's investment in a film right was classified as a financial asset at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

16. INVESTMENTS IN CONCERT AND FILM PRODUCTION PROJECTS

	2018 **HK$'000**	2017 HK$'000
Investments in concert and film production projects:		
As at 31 December	**24,139**	34,386

Investment in a film production project

During the year ended 31 December 2017, the Group entered into an investment agreement (the "Investment Agreement") with Sun Entertainment Films Limited ("Sun Entertainment"), a company beneficially owned by Mr. Dong Choi Chi, Alex, an executive director and substantial shareholder of the Company, for the investment (the "Investment") in the production of a motion picture film (the "Film"). Pursuant to the Investment Agreement, the Group is entitled to 20% of the right to the "Distributable Distribution Net Income" (as defined in the Investment Agreement, being the income generated from the global distribution of the Film and other income generated from the Film, less relevant distribution costs, withholding tax (if any) and a production bonus to the production company of the Film).

16. INVESTMENTS IN CONCERT AND FILM PRODUCTION PROJECTS *(Continued)*

In addition, pursuant to the Investment Agreement, Sun Entertainment has irrevocably warranted and undertaken that if, in any event, the production of the Film could not be finished and the Film could not be released on or before 31 December 2018, Sun Entertainment should compensate the Group in an amount of approximately HK$26.3 million (the "Guarantee Amount"); and if, within two years from the date of the first release of the Film, the Distributable Distribution Net Income received by the Group is less than the Guarantee Amount, Sun Entertainment should pay to the Group in advance the difference between the Guarantee Amount and the Distributable Distribution Net Income actually received by the Group. Such payment in advance is non-refundable in any events but can be used for offsetting the Distributable Distribution Net Income payable by Sun Entertainment to the Group thereafter in the future if any.

Pursuant to the Investment Agreement, the Company allotted and issued certain new shares of the Company as consideration for the underlying arrangement during the year ended 31 December 2017 as further detailed in note 31 to the financial statements.

As the acquisition of the Investment is part of an equity-settled share-based payment transaction, the Group measured, at initial recognition, the cost of the Investment at fair value, based on a valuation as determined by a firm of independent professional valuers of approximate HK$26.7 million.

The production of the Film was completed and had theatrical releases in its primary markets during the year ended 31 December 2017. The carrying amount of the Investment at the end of the reporting period represented the fair value of the estimated net future cash flows from the Film attributable to the Group.

Investments in concert projects

During the year ended 31 December 2018, the Group entered into several investment agreements to invest in the production/organisation of nine (2017: three) music concerts, which entitle the Group to, among others, the rights to recoup its investment amounts and to share net profit or loss of the respective concerts attributable to the Group, as appropriate, in accordance with the terms of the respective investment agreements. The Group measured, at initial recognition, the cost of these investments based on the cash consideration for these investments.

Seven (2017: two) of the concerts were completed during the year and the carrying amount at the end of the reporting period represented the fair value of the estimated net future cash flows from these concerts attributable to the Group. The remaining concerts were still under preparation at 31 December 2018 and are scheduled to take place in early 2019, and the Group considers the carrying amount of the investments appropriates their aggregate fair value at the end of the reporting period.

16. INVESTMENTS IN CONCERT AND FILM PRODUCTION PROJECTS *(Continued)*

Investments in concert projects *(Continued)*

The Group's investments in concert and film production projects at 31 December 2018 are classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest and such investments are held within a business model with the objective of both holding to collect contractual cash flows and selling.

As appropriate under HKAS 39, the Group's investments in concert and film production projects at 31 December 2017 were classified as financial assets at fair value through profit or loss either because they were designated as such upon initial recognition or the Group was unable to measure the fair value of their embedded derivative and, therefore the hybrid (combined) instruments were designated as at fair value through profit or loss at 31 December 2017.

Investments in concert and film production projects at 31 December 2017 were designated upon initial recognition as at fair value through profit or loss if they fitted the Group's investment strategy. In the opinion of the directors, such measurement basis was then appropriate under HKAS 39 as such investments at 31 December 2017 were managed and their performance were evaluated on a fair value basis, in accordance with a documented investment strategy which also focused on such fair value attributes, and information about the investments was provided internally on that basis to the Group's key management personnel.

17. INVENTORIES

	2018	2017
	HK$'000	HK$'000
Funeral related merchandises	**117**	57

18. TRADE RECEIVABLES

	2018	2017
	HK$'000	HK$'000
Trade receivables	**19,931**	857
Impairment	**(69)**	–
	19,862	857

18. TRADE RECEIVABLES *(Continued)*

The Group's trading terms with its credit sales customers for cremation and funeral business are generally 30 days. For the media and entertainment business, other than ticket sales and certain sponsorship arrangements whereby payments in advance are normally required, the credit period is generally 30 to 60 days from the date of billing, while ticketing agency and/or other relevant parties normally settle the corresponding amounts received by them attributable to the Group within 60 to 180 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the billed trade receivables as at the end of the reporting period, based on the invoice date or equivalent and net of loss allowance is as follows:

	2018 **HK$'000**	2017 HK$'000
Within 1 month	**586**	822
1 to 2 months	**–**	–
2 to 3 months	**–**	–
Over 3 months	**–**	35
	586	857

The remaining trade receivables were not yet due as at the end of the reporting period.

The movement in the loss allowance for impairment of trade receivables are as follows:

	2018 **HK$'000**	2017 HK$'000
At beginning of year	**–**	–
Impairment losses (note 6)	**69**	–
At end of year	**69**	–

18. TRADE RECEIVABLES *(Continued)*

Impairment under HKFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments. The calculation reflects information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions, as appropriate. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

	Current
Expected credit loss rate	**0.35%**
Gross carrying amount (HK$'000)	**19,931**
Expected credit losses (HK$'000)	**69**

Impairment assessment under HKAS 39 for the year ended 31 December 2017

The ageing analysis of the billed trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2017 HK$'000
Neither past due nor impaired	814
Less than 1 month past due	8
1 to 3 months past due	33
Over 3 months past due	2
	857

Receivables that were neither past due nor impaired related to a number of customers for whom there was no recent history of default.

18. TRADE RECEIVABLES *(Continued)*

Impairment assessment HKAS 39 for the year ended 31 December 2017 *(Continued)*

Receivables that were past due but not impaired related to a number of customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were then still considered fully recoverable.

19. FILM AND DRAMA UNDER PRODUCTION

	2018 **HK$'000**	2017 HK$'000
Film and drama under production	**5,505**	4,759

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2018 **HK$'000**	2017 HK$'000
Prepayments	**9,445**	6,593
Deposits	**750**	700
Other receivables	**10,091**	7,266
Amount due from a former director of a subsidiary	**291**	291
	20,577	14,850
Impairment allowance	**(6,127)**	(5,796)
	14,450	9,054
Less: Non-current rental deposit	**(447)**	(108)
Current portion	**14,003**	8,946

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS *(Continued)*

The movements in the loss allowance for impairment of other receivables are as follows:

	2018 HK$'000	2017 HK$'000
At beginning of year	**5,796**	5,651
Effect of adoption of HKFRS 9	**152**	–
At beginning of year (restated)	**5,948**	5,651
Impairment losses (note 6)	**179**	145
At end of year	**6,127**	5,796

Impairment under HKFRS 9 for the year ended 31 December 2018

Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default. As at 31 December 2018, the probability of default applied ranged from 0.55% to 25.23% and the loss given default was estimated to be HK$365,000.

Impairment under HKAS 39 for the year ended 31 December 2017

Included in the above provision for prepayments, other receivables and other assets, which was measured based on incurred credit losses under HKAS 39, as at 31 December 2017 was a provision for individually impaired receivables of HK$5,796,000 with a carrying amount before provision of HK$5,796,000. The individually impaired receivables related to the portion of certain other receivables that were not expected to be recovered.

Except for the above, the remaining balances were neither past due nor impaired. The financial assets included in the above balances relate to receivables for which there was then no recent history of default.

Included in the Group's other receivables is an amount due from a company, controlled by a daughter of a key management personnel of a subsidiary, of approximately HK$287,000 as at 31 December 2018 (2017: HK$286,000). The amount is unsecured, interest-free and has no fixed terms of repayment.

The amount due from a former director of a subsidiary of HK$291,000 at 31 December 2018 and 31 December 2017 has been fully impaired as the balance has been past due and unsecured.

21. CASH AND CASH EQUIVALENTS

	2018 HK$'000	2017 HK$'000
Cash and bank balances	**37,972**	28,977

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$2,921,000 (2017: HK$3,809,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Certain cash at banks earns interest at floating rates mainly based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

22. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	Notes	2018 HK$'000	2017 HK$'000
Trade payables	(a)	**106**	339
Contract liabilities	(b)	**2,856**	–
Other payables and accruals	(c)	**6,385**	4,523
Amount due to a former shareholder	(d)	**–**	480
Receipts in advance		**–**	357
Financial liabilities at fair value through profit or loss	(e)	**2,238**	–
		11,585	5,699

22. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS *(Continued)*

Notes:

(a) An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2018	2017
	HK$'000	HK$'000
Within 30 days	**102**	204
31 to 60 days	**–**	22
61 to 90 days	**–**	15
Over 90 days	**4**	98
	106	339

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

(b) Detail of contract liabilities as at 31 December 2018 and 1 January 2018 are as follows:

	31 December 2018	1 January 2018
	HK$'000	HK$'000
Short-term advances received from customers		
Funeral services	**307**	357
Media and entertainment services	**2,549**	–
Total contract liabilities	**2,856**	357

Contract liabilities include short-term advances received to deliver funeral and media and entertainment services. The increase in contract liabilities in 2018 was mainly due to the increase in short-term advances received from customers in relation to the provision of media and entertainment services at the end of the year.

(c) Other payables are non-interest-bearing and repayable within 1 year.

(d) The amount due to a former shareholder at 31 December 2017 was unsecured, interest-free and had no fixed terms of repayment.

(e) The amounts represent investments made by certain investors in a concert project that the Group is one of the co-organisors. In accordance with the terms of the investment agreement, the investors are entitled the rights to recoup their investment amounts as appropriate and to share net profit or loss of the concert. The financial liabilities were designated upon initial recognition as at fair value through profit or loss, as such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise and/or the financial liabilities form part of a group of financial assets or financial liabilities or both, which are managed and their performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis. The changes in fair values of these financial liabilities during the year of HK$69,000 were charged to profit or loss.

23. OTHER BORROWING

	2018 **HK$'000**	2017 HK$'000
Current		
Other borrowing repayable within one year		
– unsecured	**2,960**	–

Notes:

(a) The Group's other borrowing is denominated in RMB.

(b) The Group's other borrowing represents a loan from a company beneficially owned by a director of the Company and is unsecured, bears interest at 5% per annum and is originally repayable by 28 February 2019. Subsequent to the end of the reporting period, the repayment date of the loan has been extended to 31 March 2019.

24. DEFERRED INCOME

	2018 **HK$'000**	2017 HK$'000
Deferred income*	**3,354**	4,837
Less: non-current portion	**(2,853)**	(3,608)
Current portion	**501**	1,229

* Various government grants have been received for purchasing of related machines/equipment for cremation business to encourage the Group to invest in cremation business. Upon the receipt of government grants, the Group recognises these grants as deferred income, which will be amortised and recognised as other income over the useful lives of respective property, plant and equipment. There are no unfulfilled conditions or contingencies relating to these grants.

25. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	2018		
	Depreciation allowance in excess of related depreciation HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Total HK$'000
At 1 January 2018	361	2,416	2,777
Deferred tax credited to profit or loss during the year	(236)	–	(236)
Exchange realignment	–	(125)	(125)
Gross deferred tax liabilities at 31 December 2018	125	2,291	2,416

25. DEFERRED TAX *(Continued)*

Deferred tax assets

	2018 Losses available for offsetting against future taxable profits HK$'000
At 1 January 2018	361
Deferred tax charged to profit or loss during the year	(236)
Gross deferred tax assets at 31 December 2018	125

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2018 HK$'000
Gross deferred tax assets	125
Gross deferred tax liabilities	(2,416)
Net deferred tax liabilities recognised in the consolidated statement of financial position	(2,291)

25. DEFERRED TAX *(Continued)*

Deferred tax liabilities

	2017 Depreciation allowance in excess of related depreciation HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Total HK$'000
At 1 January 2017	602	2,247	2,849
Deferred tax credited to profit or loss during the year	(241)	–	(241)
Exchange realignment	–	169	169
Gross deferred tax liabilities at 31 December 2017	361	2,416	2,777

Deferred tax assets

	2017 Losses available for offsetting against future taxable profits HK$'000
At 1 January 2017	602
Deferred tax charged to profit or loss during the year	(241)
Gross deferred tax assets at 31 December 2017	361

25. DEFERRED TAX *(Continued)*

Deferred tax assets *(Continued)*

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2017 HK$'000
Gross deferred tax assets	361
Gross deferred tax liabilities	(2,777)
Net deferred tax liabilities recognised in the consolidated statement of financial position	(2,416)

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profits is probable.

The Group has tax losses arising in Hong Kong of HK$48,822,000 (2017: HK$48,550,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group also has tax losses arising in Mainland China of HK$6,686,000 (2017: Nil) that will expire in five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is currently not considered probable that taxable profits will be available against which the tax losses can be utilised.

26. ISSUED CAPITAL

Shares

	2018 **HK$'000**	2017 HK$'000
Authorised:		
3,200,000,000 (2017: 3,200,000,000) shares of HK$0.025 each	**80,000**	80,000
Issued and fully paid:		
1,217,798,007 (2017: 1,157,798,007) ordinary shares of HK$0.025 each	**30,445**	28,945

26. ISSUED CAPITAL *(Continued)*

Shares *(Continued)*

A summary of movements in the Company's issued capital is as follows:

	Notes	Number of shares in issue '000	Issued capital HK$'000
At 1 January 2017		**828,606**	20,715
Issue of shares upon placement	(i)	**165,000**	4,125
Equity-settled share-based payment transactions	(ii)	**164,192**	4,105
At 31 December 2017 and at 1 January 2018		**1,157,798**	28,945
Issue of shares upon placement	(iii)	**60,000**	1,500
At 31 December 2018		**1,217,798**	30,445

Notes:

(i) On 24 March 2017, the Company allotted and issued 165,000,000 new ordinary shares of the Company of HK$0.025 each through a share placement to several independent third parties at a placing price of HK$0.16 per placing share, for a total consideration before expenses, of HK26,400,000. The net proceeds were approximately HK$25,556,000.

(ii) On 25 July 2017, the Company issued 164,192,312 new ordinary shares pursuant to the Investment Agreement, measured by reference to the grant date fair value of the Company's ordinary shares, to settle certain equity-settled share-based payment transactions in the aggregate amount of approximately HK$38,914,000 as further detailed in notes 16 and 31 to the financial statements.

(iii) On 11 December 2018, the Company allotted and issued 60,000,000 new ordinary shares of the Company of HK$0.025 each through a share placement to several independent third parties at a placing price of HK$0.33 per placing share, for a total consideration before expenses, of HK$19,800,000. The net proceeds were approximately HK$19,179,000.

27. SHARE OPTION SCHEME

Pursuant to the share options scheme adopted by the Company on 22 October 2001 and a new share option scheme (the "Share Option Scheme") adopted by the Company on 31 August 2011, the directors may at their discretion grant options to (i) any director, employee or consultant of the Group or a company in which the Group holds an equity interest or a subsidiary of such company (an "Affiliate"); or (ii) any discretionary trust whose discretionary objects include any director, employee or consultant of the Group or an Affiliate; or (iii) a company beneficially owned by any director, employee or consultant of the Group or an Affiliate; or (iv) any person or entity whose service to the Group or business with the Group contributes or is expected to contribute to the business or operation of the Group, to subscribe for shares of the Company during such period as may be determined by the directors of the Company (which shall not be more than ten years from the date of issue of the relevant options).

27. SHARE OPTION SCHEME *(Continued)*

The aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other scheme(s) of the Company shall not exceed 30% of the shares of the Company in issue from time to time. Options may be granted without any initial payment at a price (subject to adjustments as provided therein) equal to the higher of (i) the nominal value of the shares; (ii) the closing price per share as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (iii) the average closing price per share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant. Each option gives the holder the right to subscribe for one share.

On 23 January 2018, Heading Champion Limited (the "Offeror") and the Company jointly announced that the Offeror would make voluntary conditional cash offers (i) to acquire all of the issued ordinary shares of the Company (other than those already owned by the Offeror and the parties acting in concert with it); and (ii) to cancel all the outstanding share options granted by the Company pursuant to the Share Option Scheme of the Company (other than those already owned by the Offeror and the parties acting in concert with it) (collectively, the "Offers"). A composite document relating to the Offers was issued by the Company on 13 February 2018. On 19 March 2018, all the then outstanding share options of the Company were cancelled.

The following share options were outstanding under the Share Option Scheme during the year:

	2018		2017	
	Weighted average exercise price HK$ per share	**Number of options**	Weighted average exercise price HK$ per share	Number of options
At 1 January	**1.416**	**22,142,834**	1.889	17,225,677
Granted during the year	**0.538**	**42,000,000**	0.200	6,900,000
Forfeited/cancelled during the year	**1.416**	**(22,080,623)**	1.298	(1,600,000)
Expired during the year	**6.982**	**(62,211)**	5.846	(382,843)
At 31 December	**0.538**	**42,000,000**	1.416	22,142,834

27. SHARE OPTION SCHEME *(Continued)*

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2018

Number of options	Exercise price HK$ per share	Exercise period
17,000,000	0.576	16 May 2019 – 15 May 2028
7,500,000	0.576	16 May 2021 – 15 May 2028
17,500,000	0.484	6 July 2019 – 5 July 2028
42,000,000		

2017

Number of options	Exercise price HK$ per share	Exercise period
62,211	6.982	15 February 2008 – 14 February 2018
981,034	1.784	7 July 2010 – 6 July 2020
708,259	4.912	12 August 2010 – 11 August 2020
765,686	4.474	13 September 2010 – 12 September 2020
135,430	4.137	6 September 2010– 5 September 2020
430,698	4.791	9 September 2010 – 8 September 2020
693,903	4.455	3 December 2010 – 2 September 2020
2,105,640	4.175	22 March 2011 – 21 March 2021
1,435,662	2.372	5 December 2011 – 4 December 2021
1,624,311	1.102	18 January 2013 – 17 January 2023
6,300,000	0.188	11 April 2017 – 10 April 2026
6,900,000	0.200	25 January 2020 – 24 January 2027
22,142,834		

27. SHARE OPTION SCHEME *(Continued)*

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2018		2017
	May	**July**	
Dividend yield (%)	**–**	**–**	–
Expected volatility (%)	**83.79**	**87.76**	80.90
Risk-free interest rate (%)	**2.29**	**2.19**	1.84
Expected life of options (year)	**10**	**10**	7
Weighted average share price (HK$ per share)	**0.576**	**0.484**	0.2

The expected life of the options is based on the historical exercise patterns and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The variables and assumptions used in computing the fair values of the share options are based on the directors' best estimation. The value of the shares options varies with different variables of certain subjective assumptions.

42,000,000 (2017: 6,900,000) share options were granted during the year ended 31 December 2018. No share options were exercised during the year ended 31 December 2018 (2017: Nil). The fair value of the share options granted during the year was HK$13,258,000 (2017: HK$847,000).

At the end of reporting period, the Company had 42,000,000 (2017: 22,142,834) share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 42,000,000 (2017: 22,142,834) additional ordinary shares of the Company and additional share capital of HK$1,050,000 (2017: HK$544,000) and share premium of HK$21,532,000 (2017: HK$30,796,000).

28. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 60.

Contributed surplus

Pursuant to a special resolution passed at the extraordinary general meeting of the Company on 1 September 2010, a contributed surplus account was designated by the Company within the meaning of the Companies Act 1981 of Bermuda so as to carry the amounts as follows: (i) the entire amounts standing to the credit balance of the share premium account of HK$59,873,000 of the Company were cancelled and transfer the credits arising from such cancellation to the contributed surplus account of the Company, (ii) transferred of the share premium arising from capital reduction to the contributed surplus account of the Company, and (iii) offset the accumulated losses in full effective as at 31 August 2010.

The contributed surplus of the Company arose as a result of capital reorganisation and represents the entire amounts standing to the credit of the share premium account of the Company as at 31 August 2010 and the credits arising from capital reduction for eliminating or setting off the accumulated losses of the Company from time to time. Under the Companies Act 1981 of Bermuda, the contributed surplus account of the Company may be available for distribution under certain circumstances. However, the Company cannot declare or pay dividend, or make a distribution out of the contributed surplus, if there are reasonable grounds for believing that: (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

29. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2018	2017
Percentage of equity interest held by non-controlling interests:		
Huai Ji	**30%**	30%
Black Sesame	**30%**	30%
Black Sesame (Beijing)	**30%**	30%

	2018	2017
	HK$'000	HK$'000
Profit/(loss) for the year allocated to non-controlling interests:		
Huai Ji	**80**	287
Black Sesame	**(503)**	(332)
Black Sesame (Beijing)	**(2,031)**	(220)

	2018	2017
	HK$'000	HK$'000
Accumulated balances of non-controlling interests at the reporting date:		
Huai Ji	**5,253**	5,401
Black Sesame	**1,243**	1,746
Black Sesame (Beijing)	**(2,254)**	(159)

29. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Huai Ji HK$'000	Black Sesame HK$'000	Black Sesame (Beijing) HK$'000
2018			
Revenue	10,450	56	2,408
Total expenses	(10,185)	(1,731)	(9,179)
Profit/(loss) for the year	265	(1,675)	(6,771)
Total comprehensive loss for the year	(494)	(1,675)	(6,983)
Current assets	4,742	1,452	9,540
Non-current assets	20,020	10,978	408
Current liabilities	(1,045)	(8,286)	(6,487)
Non-current liabilities	(5,144)	–	–
Net cash flows from/(used in) operating activities	1,618	1,418	(10,931)
Net cash flows used in investing activities	(2,662)	(3,932)	(513)
Net cash flows from financing activities	–	1,767	7,138
Net decrease in cash and cash equivalents	(1,044)	(747)	(4,306)

29. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

	Huai Ji HK$'000	Black Sesame HK$'000	Black Sesame (Beijing) HK$'000
2017			
Revenue	9,350	452	246
Total expenses	(8,398)	(1,558)	(978)
Profit/(loss) for the year	952	(1,106)	(732)
Total comprehensive income/(loss) for the year	1,604	(1,106)	(528)
Current assets	5,005	1,435	6,467
Non-current assets	21,481	7,046	108
Current liabilities	(1,306)	(2,661)	(175)
Non-current liabilities	(5,953)	–	–
Net cash flows from/(used in) operating activities	3,628	1,093	(885)
Net cash flows used in investing activities	(1,616)	(7,046)	–
Net cash flows from financing activities	–	–	6,935
Net increase/(decrease) in cash and cash equivalents	2,012	(5,953)	6,050

30. DISPOSAL OF A SUBSIDIARY

Disposal of Sage Eternity

On 27 June 2017, the Group and Konnection Global Ltd. entered into a sale and purchase agreement, pursuant to which the Group agreed to sell its entire equity interest in Sage Eternity (with net assets of HK$341,000) and assign a loan of approximately HK$1,300,000 due to the Group by Sage Eternity, at a consideration of HK$3,000,000. The disposal was completed on 7 July 2017.

The net assets of Sage Eternity at the date of disposal were as follows:

	Note	**2018** **HK$'000**	2017 HK$'000
Property, plant and equipment		–	238
Cash and bank balances		–	164
Inventories		–	290
Trade receivables		–	164
Deposit, prepayment and other receivables		–	99
Accruals and other payables		–	(614)
Net assets disposed of		–	341
Gain on disposal	5	–	2,659
		–	3,000
Satisfied by:			
Cash		–	3,000

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2018 **HK$'000**	2017 HK$'000
Cash consideration	–	3,000
Cash and bank balances disposed of	–	(164)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	–	2,836

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

On 17 July 2017, an ordinary resolution was passed at a special general meeting of the Company to approve, confirm and ratify the Investment Agreement and the transactions contemplated thereunder and to grant specific mandate to the directors of the Company to allot and issue a total of 164,192,312 new ordinary shares of the Company of HK$0.025 each in accordance with the terms and condition of the Investment Agreement. On 25 July 2017, the Company allotted and issued 164,192,312 new ordinary shares of the Company of HK$0.025 each (the "Consideration Shares") pursuant to the Investment Agreement to Sun Entertainment as further detailed in notes 16 and 26 to the financial statements (the "Share-based Payment"). In accordance with HKFRS 2 "Share-based Payment" ("HKFRS 2"), the fair value of the Consideration Shares issued for the purpose of the Share-based Payment, measured by reference to the grant date fair value of the Company's ordinary shares, amounted to approximately HK$38,914,000, and the excess of the fair value of the Share-based Payment over the fair value of the Investment acquired of HK$26.7 million should be considered as unidentifiable goods or services received or to be received and, accordingly, an equity-settled share-based payment expense of approximately HK$12.2 million was charged to profit or loss for the prior year (note 6).

(b) Changes in liabilities arising from financing activities

	Other borrowings HK$
At 1 January 2018	–
Changes from financing cash flows	2,960
At 31 December 2018	2,960

32. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging one to two years, and those for office equipment are for terms of five years.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**1,992**	1,745
In the second to fifth years, inclusive	**1,834**	402
	3,826	2,147

33. COMMITMENTS

In addition to the operating lease commitments detailed in note 32 above, the Group had the following commitments in connection with the investments in/production of certain concerts and drama at the end of the reporting period:

	2018	2017
	HK$'000	HK$'000
Contracted, but not provided for:		
Concerts	**–**	5,271
Drama	**–**	720
	–	5,991

34. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions, arrangements and balances detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

		2018	2017
	Notes	**HK$'000**	HK$'000
Related companies:			
Rentals paid/payable	(i)	**330**	660
Management fee received	(ii)	**–**	2,700
Agency fee paid	(iii)	**440**	240
Share of net income from an entertainment event organised by the Group	(iv)	**326**	–
Commission paid	(v)	**594**	–

34. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

Notes:

(i) The rentals were charged in accordance with a tenancy agreement entered into between the relevant parties. A director of the Company during the relevant period has beneficial equity interest in the related company.

(ii) The management fee was charged based on terms agreed between the relevant parties. A director of the Company has beneficial equity interest in the related company.

(iii) The agency fee is in connection with a concert organised by the Group and was charged based on terms agreed between the relevant parties. A director of the Company has beneficial equity interest in the related company.

(iv) The share of net income was based on terms agreed between the relevant parties. A director of the Company has beneficial equity interest in the related company.

(v) The commission is in connection with the placing of 60 million new ordinary shares of the Company during the year (note 26) and was charged based on terms agreed between the relevant parties. A director of the Company has beneficial equity interest in the related company.

34. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Compensation of key management personnel of the Group:

	2018 HK$'000	2017 HK$'000
Short term employee benefits	1,120	1,175
Post-employment benefits	11	32
Equity-settled share option expense	1,899	52
Total compensation paid to key management personnel	3,030	1,259

Further details of the directors' and chief executive's emoluments are included in note 8 to the financial statements.

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2018

Financial assets

	Financial assets at fair value through profit or loss* HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000
Investment in a film right	7,769	–	7,769
Investments in concert and film production projects	24,139	–	24,139
Trade receivables	–	19,862	19,862
Financial assets included in prepayments, other receivables and other assets	–	4,997	4,997
Cash and cash equivalents	–	37,972	37,972
	31,908	62,831	94,739

35. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(Continued)*

2018 *(Continued)*

Financial liabilities

	Financial liabilities at fair value through profit or loss* HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Trade payables	–	106	106
Financial liabilities included in other payables and accruals	2,238	3,431	5,669
Other borrowing	–	2,960	2,960
	2,238	6,497	8,735

* Designed as such upon initial recognition

2017

Financial assets

	Financial assets at fair value through profit or loss* HK$'000	Loans and receivables HK$'000	Available-for-sale financial asset HK$'000	Total HK$'000
Investment in a film right	–	–	7,769	7,769
Investments in concert and film production projects	34,386	–	–	34,386
Trade receivables	–	857	–	857
Financial assets included in prepayments, other receivables and other assets	–	1,632	–	1,632
Cash and cash equivalents	–	28,977	–	28,977
	34,386	31,466	7,769	73,621

* Designed as such upon initial recognition

35. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(Continued)*

2017 *(Continued)*

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade payables	339
Financial liabilities included in other payables and accruals	1,495
	1,834

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		**Fair value**	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Financial assets				
Investment in a film right	**7,769**	7,769	**7,769**	7,769
Investments in concert and film production projects	**24,139**	34,386	**24,139**	34,386
Financial liabilities				
Financial liabilities at fair value through profit or loss	**2,238**	–	**2,238**	–

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

As at 31 December 2018 and 31 December 2017, the carrying amounts of the Group's other financial assets and other financial liabilities reasonably approximate to their fair values.

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals reasonably approximate to their carrying amounts largely due to the short term maturities/ no fixed terms of repayment of these instruments or the effect of discounting is not material.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviews and approved by management.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

For the investment in a film right, its fair value is estimated with reference to the production budget of the underlying film under development and its status. For investments in certain concert projects, which were completed during the year, the fair value is estimated with reference to the net proceeds receivable from those concerts attributable to the Group. For investments in certain concerts under preparation during the year, their fair values are estimated with reference to their production budgets and profit sharing projection based on different ticket sales scenarios, and available market and historical data. For investment in a film production project, which was released for theatrical release in its primary markets in the prior year, its fair value at 31 December 2018 was estimated with reference to the remaining net proceeds receivable from the exploitation of the film.

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Asset measured at fair value:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial assets at fair value through profit or loss:				
Investment in a film right	–	–	7,769	7,769
Investments in concert and film production projects	–	–	24,139	24,139
	–	–	31,908	31,908

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

Asset measured at fair value: *(Continued)*

As at 31 December 2017

	Fair value measurement using			
	Quoted prices inactive markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Available-for-sale investment				
Investment in a film right	–	–	7,769	7,769
Financial assets at fair value through profit or loss:				
Investments in concert and film production projects	–	–	34,386	34,386
	–	–	42,155	42,155

The movement in fair value measurements within Level 3 during the year are as follows:

	2018 HK$'000	2017 HK$'000
Available-for-sale investments:		
At 1 January	**7,769**	11,023
Effect of adoption of HKFRS 9	**(7,769)**	–
At 1 January (restated)	**–**	11,023
Settlements	**–**	(3,254)
At 31 December	**–**	7,769

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

Asset measured at fair value: *(Continued)*

	2018 HK$'000	2017 HK$'000
Financial assets at fair value through profit or loss:		
At 1 January	**34,386**	–
Effect of adoption of HKFRS 9	**7,769**	–
At 1 January (restated)	**42,155**	–
Net gain recognised in profit or loss	**2,094**	2,099
Additions	**22,698**	32,287
Settlements	**(35,039)**	–
At 31 December	**31,908**	34,386

Liabilities measured at fair value:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial liabilities at fair value through profit or loss	–	–	2,238	2,238

The Group did not have any financial labilities measured at fair value as at 31 December 2017.

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

Liabilities measured at fair value: *(Continued)*

The movement in fair value measurements within Level 3 during the year are as follows:

	2018 **HK$'000**	2017 HK$'000
Financial liabilities at fair value through profit or loss:		
At 1 January	**–**	–
Additions	**2,169**	–
Net loss recognised in profit or loss	**69**	–
At 31 December	**2,238**	–

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (2017: Nil).

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise other borrowing and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as investment in a film right, investments in concert and film production projects, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables and financial liabilities included in other payables and accruals, which mainly arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. Management reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures primarily arise from revenue generated and/or costs and expenses incurred by operating units in currencies other than the units' functional currencies. Management does not expect any significant movements in the US$/HK$ exchange rate as HK$ is pegged to US$ within a narrow band.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Renminbi ("RMB") exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair values of monetary assets and liabilities).

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in loss before tax
	%	HK$'000
2018		
If HK$ weakens against RMB	**5**	**(146)**
If HK$ strengthens against RMB	**(5)**	**146**
2017		
If HK$ weakens against RMB	5	(190)
If HK$ strengthens against RMB	(5)	190

There is no impact on the Group's equity except on the accumulated losses.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

The Group's principal financial assets include trade receivables. Trade receivable balances are monitored by management on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs		Lifetime ECLs		
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables*	–	–	–	19,931	19,931
Financial assets included in prepayments, other receivables and other assets					
– Normal**	5,328	–	–	–	5,328
– Doubtful**	–	–	5,796	–	5,796
Cash and cash equivalents					
– Not yet past due	37,972	–	–	–	37,972
	43,300	–	5,796	19,931	69,027

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 18 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Maximum exposure as at 31 December 2017

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and financial assets included in prepayments, other receivables and other assets, mainly arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Concentrations of credit risk are managed by customer/counterparty. At 31 December 2018, the Group had certain concentration of credit risk as 97% of the Group's trade receivables was attributable to one type of counterparty.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 18 to the financial statements.

Liquidity risk

The Group's objective is to maintain adequate funds to meet commitments associated with its financial liabilities. Cash flows of the Group are closely monitored by senior management on an on-going basis, considering the maturity of the Group's financial liabilities and financial assets, and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2018

	Less than one year HK$'000
Trade payables	**106**
Financial liabilities included in other payables and accruals	**5,669**
Other borrowing	**2,997**
	8,772

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

2017

	Less than one year HK$'000
Trade payables	339
Financial liabilities included in other payables and accruals	1,495
	1,834

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may issue new shares. The Group is not subject to any external imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 31 December 2017.

The Group monitors capital using a gearing ratio, which is the total liabilities divided by the equity attributable to owners of the Company. The gearing ratios as at 31 December 2018 and 31 December 2017 were as follows:

	2018 HK$'000	2017 HK$'000
Current liabilities	**24,686**	14,844
Non-current liabilities	**5,144**	6,024
Total liabilities	**29,830**	20,868
Equity attributable to owners of the Company	**105,054**	87,430
Gearing ratio	**28.39%**	23.87%

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**145**	145
CURRENT ASSETS		
Due from subsidiaries	**119,365**	114,399
Other receivables	**289**	201
Cash and cash equivalents	**20,509**	12,097
Total current assets	**140,163**	126,697
CURRENT LIABILITIES		
Other payables and accruals	**2,508**	2,171
Due to subsidiaries	**1,026**	9,073
Total current liabilities	**3,534**	11,244
NET CURRENT ASSETS	**136,629**	115,453
Net assets	**136,774**	115,598
EQUITY		
Issued capital	**30,445**	28,945
Reserves (note)	**106,329**	86,653
Total equity	**136,774**	115,598

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Contributed surplus HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2017	255,269	31,713	14,775	(254,317)	47,440
Loss and total comprehensive loss for the year	–	–	–	(17,606)	(17,606)
Issue of shares upon placement	21,431	–	–	–	21,431
Other equity-settled share-based payment transaction	34,809	–	–	–	34,809
Equity-settled share option arrangements	–	–	579	–	579
At 31 December 2017 and 1 January 2018	311,509	31,713	15,354	(271,923)	86,653
Loss and total comprehensive loss for the year	–	–	–	(5,796)	(5,796)
Issue of shares upon placement	17,679	–	–	–	17,679
Cancellation of all share option	–	–	(15,733)	15,733	–
Equity-settled share option arrangements	–	–	7,793	–	7,793
At 31 December 2018	329,188	31,713	7,414	(261,986)	106,329

39. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified/re-grouped to confirm with the current's presentation.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2019.

Five Years Financial Highlights

The following table summarises the results, assets and liabilities of the Group for the last five financial years as extracted from the published audited financial statements:

	2018 **HK$'000**	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
REVENUE	**155,678**	94,497	16,287	20,004	43,080
LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY	**(8,260)**	(19,641)	(17,293)	(21,336)	(60,436)
TOTAL ASSETS	**138,999**	115,159	65,927	60,408	477,770
TOTAL LIABILITIES	**(29,830)**	(20,868)	(17,566)	(15,460)	(343,749)
NET ASSETS	**109,169**	94,291	48,361	44,948	134,021

Notes:

(i) The results and assets and liabilities of the Group for the year ended 31 December 2018/at 31 December 2018 have been extracted from the consolidated statement of profit or loss and consolidated statement of financial position as set out on pages 56 and 58 to 59, respectively, of the accompanying consolidated financial statements.

(ii) The financial summary of the Group is for information only and does not form part of the audited consolidated financial statements.